United States Court of Appeals
for the Second Circuit

JOINT APPENDIX

76-4054

United States Court of Appeals

FOR THE SECOND CIRCUIT

RCA GLOBAL COMMUNICATION, INC.,

Petitioner,

—against—

FEDERAL COMMUNICATIONS COMMISSION
and UNITED STATES OF AMERICA,

Respondents,

and

ITT WORLD COMMUNICATION, INC.,
TRT TELECOMMUNICATIONS CORPORATION
and WESTERN UNION INTERNATIONAL, INC.,

Intervenors.

PETITION FOR REVIEW OF A REPORT, ORDER AND NOTICE OF PROPOSED RULEMAKING OF THE FEDERAL COMMUNICATIONS COMMISSION

B
P/S

JOINT APPENDIX

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UNITED STATES COURT OF APPEALS
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

FCC 75-1430
38704

In the Matter of

International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act

~~Docket No. 19660~~
~~RM-690~~

REPORT AND ORDER AND NOTICE OF PROPOSED RULEMAKING

Adopted: December 22, 1975 ; Released: January 7, 1976

By the Commission: Commissioner Hooks issuing a separate statement.

I. PRELIMINARY STATEMENT

1. This investigation and rulemaking proceeding was instituted in 1973 to determine whether the Commission should modify the present international formula which was prescribed in 1943. That formula governs distribution by Western Union Telegraph Company (WU) among the international record carriers (IRCs) of outbound, unrouted international message telegraph traffic. Our reasons for instituting this proceeding are fully presented at 43 FCC 1174 (1973), (Designation Order). In a subsequent order, 47 FCC 2d 225 (1974), we modified our procedures because of a controversy among the parties concerning the reliability of information submitted by the International Quota Bureau (IQB). 1/

2. Pursuant to our orders, Statements of Fact and Memorandums of Law were filed on July 10, 1974 by Canadian National Railway (CNR), Canadian Pacific, Ltd. (CPL), ITT, RCA Global Communications, Inc. (RCA), TRT Telecommunications Corporation (TRT), Western

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1/ The IQB is the professional staff of the International Formula Committee (IFC), a body composed of representatives of the IRCs entitled to traffic under the formula. Section XI of the formula places administration of its provisions with the IFC. In carrying out its function to instruct WU to which carriers it is to distribute traffic, the IQB maintains data on traffic volumes and distribution. The Designation Order made the IFC and IQB parties for the purpose of providing the respondents with data for their use in responding to the designated issues. 43 FCC 2d at 1182.

Union International, Inc. (WUI), and WU. 2/ In addition to these Statements, Comsat General Corp. on July 8, 1974 filed Comments and on August 30, 1974 a Reply, in which it raised the question whether the formula governing distribution of outbound message telegraph traffic destined to ships at sea (maritime formula) should be revised. On August 19, 1974, all respondents except CNR and CPL filed Responses to the initial Statements and, on September 6, 1974, Replies. During April, 1975, WU submitted to the parties and the Commission the results of its study of outbound message traffic. Based on the results of this study, the parties filed on August 1, 1975, Supplementary Comments and on August 28, 1975, Supplemental Replies. In addition to these formal pleadings, statistical data were submitted by the IQB. Not submitted for consideration in this inquiry, but incorporated by reference into the pleadings of RCA and ITT, was a document prepared by the Policy Support Division, Office of Telecommunications, United States Department of Commerce (OT) entitled Policy Research Estimate, Working Draft, The International Formula for the Distribution of Unrouted Telegraph Messages, dated June 2, 1975. To the extent useful in considering the arguments of the parties, we will take notice of this document. The foregoing items, plus the pleadings considered in the Designation Order, constitute the record for decision in this proceeding.

Summary

3. After considering the views of the parties and other material before us, we have concluded that the present method of distribution embodied in the international formula is unjust, unreasonable, inequitable and not in the public interest; and that the formula should therefore be replaced as provided below. In reaching this conclusion we find that the present formula, under the circumstances prevailing today, fails to meet the statutory standard in Sections 222(e)(1) and 222(e)(3) either in concept or in operation. As we explain more fully below, the present formula, with its basic unit the quota system, represents a market-sharing device which is by definition antithetical to the free flow of competition which Congress sought to encourage and enhance. Whatever may have

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2/ The French Telegraph Cable Co. (FTC) and United States-Liberia Radio Corporation (U.S. Liberia) were also named as parties to this inquiry. Both carriers filed statements that they did not wish to participate in the inquiry, but stood ready to implement any decision of the Commission.

been the justification for this arrangement under the unique circumstances facing us in 1943, the present conditions in the industry and the economy generally indicate that such practices now work against the public interest. We have also found that the formula has not worked well in practice. Due to weaknesses in the formula structure and changes in the industry which the formula failed to predict or allow for, serious distortions have developed in the pattern of distribution which appear unlikely ever to correct themselves. These distortions have made the present formula inequitable as among the parties and have worked against the public's interest in a strong, efficient public message service. In these circumstances, we believe the formula has outlived its usefulness and should be repealed. In place of the present formula, we will place distribution of traffic on the choice of the customer. For reasons discussed fully below, however, we cannot move immediately to required customer routing. In the interim, we have prescribed a new formula which distributes unrouted traffic among the IRCs in the same proportions as each carrier handles routed traffic. In this way, the inequities of the present distribution will be eliminated and the carriers encouraged to seek specific routings from customers. In the material which follows we will set out (1) the historical background, (2) a summary of the contentions of the parties, (3) our findings with respect to the designated issues, (4) our conclusions with respect to the present formula, (5) the interim method of distributing outbound traffic, and (6) the measures we intend to take toward implementation of the all-routed method of distribution.

A. Historical Background

4. The present international formula was prescribed in 1943 pursuant to Section 222(e)(1) of the Act 3/ in connection with our approval of the plan of merger submitted by WU and the Postal Telegraph Cable Company (Postal). Section 222 had been added to the Act to permit merger of the two remaining domestic telegraph companies with extensive nationwide public message services. Congress imposed on the permission to merge ancillary restrictions to control the power WU would

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3/ 47 U.S.C. §222(e)(1) provides in pertinent part that

> /i/n the case of any consolidation or merger of telegraph carriers pursuant to this section, the consolidated or merged carrier shall, . . . distribute among the international telegraph carriers, telegraph traffic by wire or radio destined to points without the continental United States, and divide the charges for such traffic, in accordance with such just, reasonable, and equitable formula in the public interest as the interested carriers shall agree upon and the Commission shall approve . . . .

achieve by its consequent de facto domestic monopoly. For present purposes, the two relevant restraints are the divestment requirement in Section 222(c) (2) and the requirement of Section 222(e)(1) for a formula to govern distribution of traffic by WU among the IRCs. These requirements were occasioned by the fact that, prior to merger, WU operated an extensive international message telegraph network (WU Cables Division) in addition to its domestic network. As a condition of merger, WU was required to divest itself of its international facilities. However, because WU was subject to certain legal commitments, Congress believed that divestment might be delayed. For this reason, Congress did not make divestment a pre-condition of merger. 4/ In the interim, Congress imposed a requirement for a formula to govern distribution of traffic which would prevent WU from using its domestic monopoly power to the detriment of its international competitors.

5. Prior to the merger, RCA was the only IRC which maintained public offices in the main international terminal cities of New York and San Francisco. The others relied largely on connections with WU and Postal for the intra-United States handling of their overseas traffic. WU exchanged traffic between its domestic operations and its Cables Division. The component companies of ITT had similar arrangements with Postal, which until 1940 had been affiliated with ITT. Various IRCs also had arrangements with WU (domestic) for exchange of traffic to and from hinterland points. In addition, RCA and Mackay Radio & Telegraph Company (a predecessor constituent of ITT) also operated a few domestic radio circuits linking major cities, which they used chiefly for domestic handling of their international traffic. However, with the disappearance of Postal after the merger, and the termination of the Mackay and RCA domestic circuits during World War II, the IRCs after merger were dependent on WU for the domestic handling of their traffic.

6. To accomodate their concerns, the parties developed a formula based on quotas for each carrier which, by freezing the carriers' pre-merger positions, would prevent WU from favoring itself. 5/

4/ 47 U.S.C. §222(c)(2) provides in pertinent part that

> /a/ny proposed consolidation . . . shall provide for the divestment of the international telegraph operations theretofore carried on by /WU/, within a reasonable time . . . as soon as the legal obligations . . . /of WU/ will permit.

5/ Section 222(e)(1) provides that the Commission shall prescribe a formula only in the event the interested parties cannot agree upon one. After reaching agreement, the parties submitted their proposal to us for review. In our review, we found objectionable certain features of the carrier agreement and modified them. For this reason, we prescribed rather than approved, the present formula.

The formula divides international destination points into three "Areas" -- "A" (Atlantic), "B" (Latin America), and "C" (Pacific) -- grouped according to the facilities used to serve points within them and the carriers which then operated there. These Areas are broken down into a number of "Subareas." For the purpose of applying the quota system, the basic unit is the subarea. The formula also divided points of origin in the United States into two classes: (1) New York, San Francisco and Washington, D. C. (called "gateways") and (2) other United States points (called "hinterland"). Essentially, there are two separate formulas provided for -- one for gateway-originated traffic and one for hinterland-originated traffic. Based on the above, the formula provides to named IRCs a quota for each category of traffic, for each subarea of destination, and for each recognized origin point. 6/ A carrier's quota for each category of traffic is defined as the ratio of outbound traffic in that category handled by that carrier during 1942 to the total traffic handled that year by all carriers serving that point. Essentially, then, a carrier's quota represents its market share during the base period. 7/ WU was directed to apply the quotas so that each eligible IRC received a proportion during the current period of "gross international tolls" 8/ equal to its quota. There was, however, a problem inherent in the quota system arising from the fact that, irrespective of quotas, an IRC was to receive all traffic specifically routed by the sender via that carrier. Because of this feature, WU would be able to insert routings via WU Cables on any message and thereby divert traffic to its own facilities. To counter this, therefore, the

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6/ Each IRC does not have a quota for every destination point. Generally, a carrier received a quota if that carrier operated to individual points within the appropriate subarea at the time of the merger.

7/ Because World War II had interrupted service in 1942 to certain points, the formula provided that upon reestablishment of service quotas should be calculated with reference to the last 12-month period in which communications were conducted before interruption.

8/ The term "gross international tolls" is defined in the formula as (1) tolls payable to or collectible by an IRC at the U.S. gateways as if all traffic had originated at the gateway, less WU's payment for its landline haul (if the message did originate in the gateway) or (2) rental income for a leased circuit used to transmit traffic. See International Formula, Section V. This provision was designed to compensate for the fact that individual messages in a given category might differ in length.

formula provides a mechanism (balancing provision) designed to restore the general market shares. If a carrier exceeded its quota in any category solely from routed traffic, WU was to withhold from it an equivalent amount of unrouted traffic in other categories to balance the excess. If a carrier failed to receive its quota in a given month, the distribution was to be adjusted in later months to compensate it for the deficiency.

7. Beyond its basic features, the formula includes several special provisions aimed at particular problems or concerns of individual carriers. First, under the formula, RCA was entitled to receive specifically-routed traffic destined to Areas A and B; but received no unrouted traffic originating in the gateways (it does have quotas for hinterland traffic). Instead, Schedule B to the formula provided that RCA was to receive approximately 61.5% of WUI's quotas 9/ for traffic destined to the subareas, Continental Europe and Beyond the Continent, of Area A. RCA and WU had entered into a contract in 1931 providing for a similar shift of a block of traffic, apparently to compensate RCA for the fact that it turned over to WU more inbound traffic than it received outbound traffic from WU. Second, in 1943 United States traffic to certain points in Australasia routed via cable was generally handled by transfer to CNR or CPL, since the only direct cables to those points ran from Canada. To preserve the status quo with respect to this traffic, and to protect the rights of CPL under its contracts with Postal, the formula therefore provided a special arrangement for traffic to points in Australiasia and the British West Indies. In general terms, the provision created a separate quota system applicable to these carriers designed to preserve their pre-merger position. Third, when we amended the formula in 1963 to reflect the creation of WUI, we added a special provision to designate particular WU public offices in New York, Washington, and San Francisco as WUI public offices, so that traffic filed in such offices would, absent a specific routing via another carrier, automatically be considered as specifically routed via WUI. This was done to spare WUI, in its early years, the expense of establishing its own offices and to put it in a position comparable to its competitors.

B. Contentions of the Parties

8. ITT listed certain features of the present formula which it characterized as particular problems requiring correction. See 43

9/ In 1943 the provision applied to WU's Cable Division. In 1961, when WU was formed from WU's divested overseas facilities, WUI succeeded to WU's obligations under this provision.

FCC 2d at 1176. In commenting on ITT's arguments, TRT supported ITT's request for revision and included some specific matters which it believes need correction. In summary, the following is a list of the items which the proponents advanced as defects in the formula:

(1) The anticompetitive market share quota system;

(2) The "balancing system" which deprives a carrier of unrouted traffic when it increases its proportion of routed traffic;

(3) Basing quotas for unrouted traffic on the amount of self-generated traffic (gateways);

(4) Denying a carrier a share of unrouted traffic to a given point because it did not serve that point in the base year (1942);

(5) The lack of a provision for adjusting quotas to meet changing circumstances;

(6) The cumbersome and complex structure (separate quotas for gateway and hinterland, separate quotas for each class of traffic, etc.);

(7) The accumulated overages and deficiencies;

(8) Schedule B of the formula - special arrangement for RCA;

(9) The special quotas for CNR and CPL (Appendix 1 to the formula); and

(10) The designation of certain WU offices as WUI public offices.

RCA and WUI generally opposed the request for formula revision. They contended that the present formula works well in practice and asserted that neither ITT nor TRT has shown any evidence that the public interest has been disserved. The opponents also challenged the assertion that the present formula stifles competition and noted that all carriers provide the highest quality service to the public. 10/

9. To remedy the alleged inequities of the present formula, ITT, TRT and WU have advanced a number of specific proposals for a new distribution which they assert will better serve the public interest and simplify administration. Briefly, ITT recommended a distribution which ignores an IRC's self-originated traffic, directs WU to honor customer routings, and allocates unrouted traffic equally among all IRCs authorized to serve the destination point directly. TRT recommended a distribution of unrouted traffic based on each carrier's share of routed WU transfer traffic (ignoring self-originated routed traffic) to each destination point. Id. at 1179. WU, reflecting its desire to simplify or eliminate its role in administering the formula, advanced three alternative proposals. First, WU suggested replacement of a formula with a distribution based on a requirement for specific customer routings. Second, WU suggests that if a formula must be retained, then it should be permitted to transfer all unrouted traffic to the IQB or some other representative of the IRCs for distribution. Third, as a fallback position, WU requests that it be allowed to transfer all unrouted traffic to a given area to only one selected IRC. Id. at 1178.

10. In its Statement, ITT agreed that TRT's proposal might be a more logical and equitable basis for distribution of unrouted traffic; but only with certain modifications:

> (1) the distribution should be based on a country-by-country basis according to the destinations a carrier is authorized to serve directly;
>
> (2) self-generated gateway traffic could be excluded, but WU pickups in the gateway as well as the hinterland should be included in determining traffic percentages; and

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10/ Since the formula is a rule within the meaning of Section 551(4) of the Administrative Procedure Act, 5 U.S.C. §551(4) (1971), ITT's request for amendment of the formula constitutes a Petition for Rulemaking. Accordingly, Section 553 requires that interested parties be given opportunity to present their views through written submissions, but does not require trial-type hearings. In the present case, all interested parties have been given opportunity to present their views and to challenge the views of other parties. There are no contested issues of fact; only the legal questions whether the present formula meets the statutory standard and, if it does not, what method of distribution will meet that standard. Therefore, we conclude that no party has been prejudiced by our procedures in this case and that a trial-type evidentiary hearing, as requested by RCA and WUI, is neither required by the Communications Act and the APA nor necessary to the resolution of the question before us. Cf. Bell Telephone Company of Pennsylvania v. F.C.C., 503 F.2d 1250, 1265-6 (3d Cir. 1975). Accordingly, we will deny the request.

> (3) calculation of proportionate shares should be based on an historical period, but should be updated every six months (with a six-month lag to allow for preparation of the calculations).

ITT also indicated that, in the interest of simplicity, the WU proposal to distribute all unrouted traffic to a given area to one IRC would be acceptable, so long as each carrier received its proportionate share overall. TRT reiterated its position that unrouted traffic to each destination should be distributed in the same proportions as routed, and suggested that eligibility be based on the points a carrier lists in its tariffs. TRT also indicated that ITT's original proposal to divide unrouted traffic to every destination equally among the carriers serving that point (again, based on its tariff) would also be a fair and simple method. TRT challenges ITT's proposal to base distribution on direct service on the grounds that all carriers compete for traffic to the points they serve irrespective of whether those points are served directly or indirectly. In its Supplemental Response, ITT further modified its position to indicate that a distribution on a world-wide, rather than individual destinations, would be equitable; and would satisfy WU's desire for an easily-administered formula. Under this proposal, there would be a single world-wide distribution of unrouted traffic, regardless of class, based on each carrier's percentage share of routed WU transfers (both gateway and hinterland origins).

11. In general, RCA and WUI argue that the above proposals are no less arbitrary than the present formula and cannot be shown to serve the public interest any better. Further, since all the proposals are geared to increasing competition among the IRCs, they may actually be detrimental to that interest. In this connection, they note that one of the features of the present formula we specified in our order prescribing it was that, by reducing solicitation efforts, it would hold down carrier costs. In their view, the inevitable consequence of any of these proposals would be an increase in carrier solicitation efforts which would increase costs without improving service; and, since message woul service traffic volume is static or declining, the increased costs result in increased usage charges.

12. WUI Counterproposals. In its Supplemental Comments, WUI included three proposals of its own for resolution of the formula, controversy. First, it suggested that the proposals for amendment of the formula be submitted to the IFC. 11/ A pre-condition to this, however,

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11/ Sections XI of the present formula provides that

> /i/n the event there is disagreement among the members of the /IFC/ with respect to any feature of the distribution of traffic under the formula, the disagreement shall be submitted to the interested carriers, including /WU/ . . . .

would be equalization of the voting strength of the various members of the IFC. ITT has four votes (based on four constitutent companies) and RCA has two (its own and that of Radiomarine Corp.), while the other carriers have only one vote each. If this situation were rectified, the matter could be submitted to the carriers for resolution, with the active participation of the Commission staff. Second, WUI suggests that, unrouted WU transfer traffic could be distributed in the ratio of unrouted traffic distributed during the period of the WU study. Routed transfers and self-originated traffic would be ignored. Third, WUI suggests that the separate gateway and hinterland quotas be replaced by one nationwide quota. In connection with the proposal, WUI would open its own public offices and abandon the designated WU offices, thereby placing all IRCs on an equal footing. The quotas would be calculated according to the number of messages, relying on random distribution to assure that all carriers get a fair mix of long and short messages. WUI also suggests that all classes of messages be treated as a unit, thus simplying application of quotas. Schedule B would also be eliminated to place all IRCs in the same position. Next, WUI suggests replacing areas A, B and C and all subareas with a distribution based on each destination country (the quota would be the same for each point as that of the subarea of which it presently is a part). Next, WUI would eliminate the quotas for CNR and CPL and remove their obligations for payment of the expenses associated with formula operation. Finally, WUI suggests that all RCA gateway traffic to areas A and B be counted in its quotas (RCA chose not to have gateway quotas to those points) to remove the disproportionate share of hinterland-originated unrounted traffic it now gets.

13. TRT opposes all of the WUI proposals on the grounds that they permit WUI to continue to receive most of the undue benefits it enjoys under the present formula. RCA supports the first and second WUI proposals, but opposes the third. RCA agrees that if voting power were equalized (including loss of one of RCA's two present votes), the IFC could be an effective forum for discussion of formula revision. As to WUI's second proposal, RCA believes it merits serious consideration. RCA states that basing distribution of unrouted traffic on the ratios in the WU study would eliminate ITT's most serious objection -- shifting unrouted traffic away from carriers who increase their routed traffic. The advantage RCA sees in this is that solicitation expenses, which undoubtedly would increase, would be held at a lower level than under ITT's proposal and the effect on other IRCs of traffic shifts would be gradual. RCA objects, however, to the provision in WUI's third proposal for abolishing Schedule B. RCA believes that this proposal affects it alone and is in derogation of its contractual and formula rights, and that any change would have to be based on RCA performance data relating to the base period (1942) which no longer exists.

14. Since WUI's proposals were presented outside the designated issues, we will treat them separately. After considering the proposals, we have concluded that none of them represents a suitable basis on which to resolve the formula inquiry. Essentially, they represent little or no change over the present formula, at least in the short run. We are of the opinion that WUI's first proposal, even with equalized voting power, would not lead to an early resolution of the dispute. The various party interests are strongly entrenched, so that if there is any conclusion it is likely to be a compromise which ignores the public interest we have been considering in this proceeding. We note that the present formula was the result of a compromise and that many of the problems we have seen in it have come from the cumbersome structure thus developed. We see no compelling reasons to delay further the resolution of the issues, especially since the result may be an equally arbitrary compromise. Turning to the second WUI proposal, and ignoring that the study results may not be representative of a whole year's performance, we believe that this proposal would perpetuate for the foreseeable future the distortions of the present distribution. We note that while WUI's proposal allows for shifts of traffic, it does so only as the pool of unrouted traffic shrinks. While we agree that WUI's third proposal would result in simplification of quota administration, we must note that basing distribution on current market shares will not change any of the basic infirmities we see in the present formula. Accordingly, we cannot adopt any of WUI's proposals as submitted.

II. FINDINGS: THE PRESENT FORMULA

15. To ascertain what has happened after 30 years of formula operation, we will look at the distribution presently being made under the formula (Issue one). For the purpose of our analysis we will use, as did the parties, the results of the WU 13-week study, supplemented by calendar-year 1974 figures reported by the carriers pursuant to Section 43.61 of the Commission's Rules and Regulations. 47 C.F.R. §43.61 (1974). In 1974, a total of 8,640,411 telegraph messages (all classes) were sent outbound from the United States; which yielded revenues of $21,486,392. In this connection, we note that traffic volumes in recent years have fluctuated only slightly. Therefore, we will assume that figures for 1975 will not significantly differ from the 1974 figures.

16. Applying the results of the WU study (one quarter's actual results) to the 1974 figures, it appears that approximately 5.6 million messages of the total are routed (WU transfers plus IRC pickups) and 3.0 million unrouted; or roughly two-thirds and one-third, respectively. Further, of the total outbound traffic, 3.9 million messages were handled by WU and the balance directly by the IRCs. Of the traffic handled by WU, 76.5% is unrouted and 23.5% routed. It is to the approximately 3.0 million unrouted messages that the formula applies and for which we must provide an equitable method of distribution in the public interest. As is apparent from these figures, unrouted traffic continues to represent a substantial portion of outbound traffic and the equitable division thereof a matter of consequence to the IRCs.

17. Table 1 shows a summary of the results of the WU study broken down for each carrier plus the figures reported by the IRCs in their Supplemental Comments for traffic directly picked up by them.

TABLE 1

Number of Outbound Messages
(WU Study)

Carrier	FTC	ITT	RCA	TRT
WU Transfers:				
Unrouted				
Exclusive	-	20,552	252,152	3,686
Non-Exclusive	-	58,204	79,332	5,852
Total:	-	78,576	331,484	9,538
Routed	503	69,328	64,179	10,740
Total Transfers	503	148,084	395,663	20,278
Direct Pickups:	[11,375]	363,272	361,216	60,639
Total Traffic	11,878	511,356	756,879	80,917

Carrier	US-L	WUI	OTHER (CNR&CPL)	ALL
WU Transfers:				
Unrouted				
Exclusive	1,459	149,977	-	427,826
Non-Exclusive	-	110,943	5,413	259,744
Total:	1,459	260,920	5,413	687,570
Routed	29	65,774	0	210,553
Total Transfers	1,488	326,694	5,413	898,123
Direct Pickups:	[737]	276,554	0	1,073,793
Total Traffic	2,225	603,248	5,413	1,971,916

Notes on Table 1:

Wu reported combined Unrouted Non-Exclusive traffic for all carriers. Allocation has been made on the basis of the relative distribution of traffic at the WU minneapolis distribution office.

FTC and US-L did not supply information on their direct pickups. The bracketed figures shown for these carriers were calculated by applying the WU study results to the figures shown in their respective Section 43.61 responses.

From the study, it can be seen that RCA receives more unrouted traffic (48.2%) under the formula than any other carrier, while overall it receives only 38.4% of total traffic and 30.5% of routed WU transfers. ITT, on the other hand, receives slightly more (32.9%) routed WU transfers; but receives only 11.4% of unrouted transfers. Additionally, ITT picks up slightly more traffic directly from the public than does any other IRC (33.8%). WUI receives 30.6% of total traffic and 25.2% of routed transfers; but receives the second largest amount of unrouted transfers (37.9%). The situation with respect to TRT is equally dramatic. TRT's share of routed transfers is 5.1% and its share of direct pickups 5.6%. Yet TRT receives only 1.4% of unrouted traffic. Thus, under the present formula, it is apparent that for all carriers there is no relation (either direct or inverse) between a given carrier's handling of routed traffic and its handling of unrouted traffic.

18. The significance of this, and the importance of unrouted traffic, can be seen by comparing the overall market shares of the IRCs with their shares of routed traffic only:

TABLE 2

	(1) Share of Routed WU Transfers	(2) Share of Direct Pickups	(3) Share of Total Routed (1+2)	(4) Share Overall (%)
Carrier:				
FTC	0.24	1.06	0.92	0.60
ITT	32.93	33.83	33.68	25.93
RCA	30.48	33.64	33.12	38.38
TRT	5.10	5.65	5.55	4.10
US-L	0.01	0.07	0.06	0.11
WUI	31.24	25.75	26.65	30.59
OTHER	-	-	-	0.27

As can be seen by comparing columns 3 and 4, there is a substantial difference between a carrier's handling of routed traffic and its handling of traffic overall. The difference between column 4 (overall share) and column 3 (share of routed) is the inclusion of unrouted traffic. RCA and ITT handle roughly equivalent levels of routed WU transfers and direct pickups but, when unrouted traffic is included, RCA's overall share dramatically increases. A similar phenomenon exists as between WUI and ITT. Overall, WUI handles significantly more (30.6%) traffic than does ITT (25.9%); but if unrouted traffic is eliminated, the situation is reversed. ITT handles 33.7% of routed traffic while WUI handles only 26.6%. Another interesting phenomenon shown by Table 2 is that the carriers' relative shares of routed WU transfers (column 1) correspond closely with their shares of direct pickups (column 2); in both categories, ITT receives more routed traffic than does any other carrier. It is only when unrouted traffic is considered that the carriers' relative market positions change and ITT drops to third. 12/

19. The distortions in the present distribution may also be seen by the number of destinations to which one or another carrier receives all unrouted traffic (referred to as an exclusive point). From the data in Table 1, it appears that 62% of WU transfers and 25% of total outbound traffic falls into this category. Of the 52 destination subareas recognized by the formula, 46 are exclusive points for gateway-originated messages and 24 are exclusive points for hinterland messages. Since to most of these subareas some or all of the other IRCs handle routed traffic, these figures also indicate the lack of relationship between a carrier's handling of routed traffic and its handling of unrouted. Further, Table 1 also shows the extent to which RCA and WUI benefit from the existence of exclusive points. RCA receives 59% of all unrouted exclusive traffic, WUI receives 35%, while ITT receives less than 5%, and the other carriers each receive less than 1%. RCA receives virtually all unrouted traffic from both the gateways and hinterland to all subareas of Area C (Pacific). Additionally, RCA receives most unrouted traffic from the hinterland to subareas of Area A (RCA receives only routed traffic from the gateways to Areas A and B). WUI receives the bulk of gateway traffic to most areas of Area A, as well as some hinterland traffic and all unrouted to most points in South America. ITT receives most gateway traffic for Caribbean points and a few European points (including one high-volume point, France). TRT receives all unrouted only to the Bahamas, British Honduras, and Columbia. Proportioned distribution is in effect for only 15% of total traffic. If one considers that at its inception the present formula called for proportioned distribution of virtually all unrouted traffic, it is readily apparent that the present distribution has departed significantly from the drafters' intent.

12/ We have focused here only on the three largest carriers, since the figures indicate that the relative positions of the smaller carriers are affected only slightly by the distribution of unrouted traffic. Under the formula, TRT does not receive unrouted traffic to many of its service points, since they were added after the formula was prescribed. FTC does not receive any unrouted traffic at all. US-Liberia receives unrouted traffic to Liberia which is its only service point. Consequently, the unrouted traffic volumes of these carriers are too small to affect significantly the overall industry traffic statistics.

20. The serious distortions in distribution patterns noted above evolved over 30 years of formula operation and resulted from a structural weakness in the formula itself. This weakness is the interrelationship of the balancing provisions and the overall direction that a carrier receive all traffic specifically routed via it. Since the formula sought to keep market shares static, it provided that a carrier which increased its proportionate share through routed traffic had to give up an equivalent amount of unrouted traffic so as to restore overall balance. Conversely, if its share declined, it was to receive additional unrouted traffic. In theory, this mechanism would offset any fluctuations in the market. However, because a carrier is always to receive its routed traffic irrespective of its quota, it is apparent that the balancing provisions would work only so long as conditions in the industry did not deviate significantly from those in the base year. Experience under this formula early indicated, however, that conditions were not static and that the balancing provisions were inadequate to deal with the dynamics of the dndustry. The IRCs expanded their gateway operations, and self-generated traffic (by definition specifically routed) became a more important part of total traffic than it was during the base year. The rapid increase in gateway-originated traffic upset the delicate balance needed for the formula operation and caused a proportionate decline in the relative amount of unrouted traffic available to redress imbalances. This led to the emergence of the "overages" and "deficiencies" which have plagued formula administration since its inception and led to the effective demise of the proportionate distribution system.

21. An overage occurs when a carrier exceeds its quota solely through routed traffic. A deficiency occurs when a carrier receives insufficient routed traffic to satisfy its quota. Since a customer routing is inviolable, it is obvious that giving up unrouted traffic would not bring a carrier with an overage back to its quota. Conversely, unless routed traffic were taken away from such a carrier, the unrouted traffic pool would be insufficient to restore a deficient carrier to its quota. To deal with this dilemma, the IQB adopted two policies which it hoped would restore the overall balance. First, over the objections of ITT, the IQB set an overage (or deficiency) in a carrier's gateway quota for traffic to a particular subarea against a deficiency (or overage) in its hinterland quota for the same destination. Second, if this failed to restore balance, the IQB accumulated the resulting net overage or deficiency from year to year. This was apparently done in the hope that, over time, the imbalances would cancel each other. In practice, however, this resulted only in the accumulation of ever higher imbalances. The pleadings of the parties allege that at present RCA has accumulated deficiencies of $49.8 million while ITT has accumulated overages of $24.6

million and WUI overages of $24.8 million. From the history of formula operations it appears that absent an unforeseen change in market conditions, these imbalances will never correct themselves.

22. We find the accumulation of large overages and deficiencies as evidence that the formula failed to keep market shares static. As such, we do not accord them any independent legal significance. They are merely bookkeeping entries which document the shift in filing traffic from WU to IRC public offices. This is not to say, however, that these imbalances are without importance. They have played a key role in bringing about the distortions in the present distribution we noted above. It is one of the ironies of the formula that a deficiency, which on the surface appears to be a detriment, is in reality a benefit; while an overage is a detriment. RCA has accumulated substantial deficiencies during the operation of the formula; but the result has been not a decline in its relative market share. Rather, its overall share has increased due to the unrouted traffic it receives under the formula. RCA receives this traffic largely because of its accumulated deficiencies. ITT, on the other hand, has accumulated large overages overall and, consequently, receives little unrouted traffic. As deficiencies and overages appeared, the formula provided that the distribution be altered periodically to increase or decrease, respectively, a carrier's share of unrouted traffic. As this process continued, the ultimate effect was that the carrier with the largest deficiency eventually came to receive all unrouted traffic to a given destination.

23. In its Supplemental Comments, WUI claimed that ITT's arguments concerning the formula's disincentive to competition were fallacious. ITT Had argued that the balancing provisions discourage carriers from seeking to improve service. WUI, however, noted that only 226,674 messages out of a total outbound volume of 1,938,828 messages or 11.7% 13/ are presently subject to the balancing provisions. Therefore, WUI argued that,

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13/ WUI based its calculations on the results of the WU study and IQB figures. It took the total number of messages reported during the study period for nonexclusive destinations and compared them with the total volume reported for all destinations. These figures are broken down as follows:

Carrier	World
ITT	94,080
RCA	78,414
TRT	2,200
WUI	52,380
Other	0
Total	226,674

the small volume subject to proportionate distribution, it is unrealistic to assume that service quality could be negatively affected by the possibility of lost unrouted traffic. This argument, while reasonable on its face, ignores the fact that the reason little traffic is subject to proporionate distribution is that for most destinations one carrier receives all unrouted traffic. However, at its inception, the formula was designed to preserve proportionate distribution to most, if not all, destinations. Thus, all WUI's figures really show is that distribution under the formula has become distorted.

24. In this connection, however, we wish to note that we are not concerned here whether or not a party can quantify negative impact of the formula. ITT did not claim that the formula has led to an impairment of service quality. At most, it argued that the disincentive discouraged improvements in quality. This is precisely what concerns us about the present pattern of distribution. We cannot ignore the possibility that quality of service could have been improved absent the inequities of the formula. In any event, by placing distribution of traffic on a rational and competitive basis, we can minimize this danger and maximize the possibility of future benefits. For this reason, we believe the distortions in distribution patterns in the present formula are injurious to the public interest and should be eliminated.

25. Besides the general problems which apply equally to all carriers, there are certain special formula provisions which confer benefits on particular carriers to the detriment of the others. These matters are Schedule B, Appendix 1, and the designation of WU offices as WUI public offices.

26. Schedule B of the Formula. This refers to an arbitrary compromise agreement between WU and RCA which while part of the formula, operates outside the quota system. Under this agreement, in addition to its own quotas under the formula, RCA receives a substantial extra block of traffic taken from WUI's quotas destined to certain subareas of Area A (Atlantic). This agreement derives from an earlier (1931) exchange-of-traffic contract between WU and RCA under which RCA transferred to WU all its inbound traffic destined to United States points beyond New York, Washington, San Francisco and Boston (where RCA operated its own offices). WU agreed in return to transfer to RCA all outbound traffic so that, overall, RCA received from WU two outbound messages for every nine inbound messages it transferred to WU. This arrangement was designed to compensate RCA for the fact that it transferred to WU substantially more inbound messages than it received outbound messages. 14/

27. As we noted in our 1943 prescription order, see 10 FCC at 190, Schedule B was intended to redress the competitive disadvantage RCA suffered with respect to WU since, before the merger, it was the only international carrier without significant access to the hinterland market. However, whatever validity Schedule B may have had when promulgated, we can see no justification for its continuance under present conditions. While the provision does not directly affect the volume of traffic any other carrier receives, since the traffic in question comes from WUI's quotas, we believe that there is an indirect effect on those carriers which is against the public interest. Traffic exchange agreements with most foreign administrations operate on the basis of proportionate return. Proportionate return refers to the principle under which an entity carrying traffic into a country receives outbound traffic from that country in the same proportion as it handled the inbound traffic. Since

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14/ Since WU did not operate in Area C (Pacific), traffic destined to points in that Area were not covered by the 1931 contract, nor by the later Schedule B.

there are competing circuits to virtually all the points affected by Schedule B, other carriers are competing with RCA for return traffic from those points. Therefore, RCA receives an undue benefit from Schedule B with respect to return traffic. More importantly, we cannot find any benefit to the public in the provisions of Schedule B. There is nothing in the record which indicates that Schedule B is likely to lead to improved service or lower rates; and, since we believe special treatment inconsistent with the public interest, we find that Schedule B should be eliminated from any new method of distribution.

28. After 30 years, we believe that any equities which justified granting RCA this special treatment have been extinguished. Since divestment, all the IRCs have equal access to WU's domestic landlines and all engage in substantial gateway operations. Conversely, WU has no better relationship with one carrier than another. With respect to any pre-merger benefits WU may have enjoyed, the benefits RCA has received under Schedule B since 1943 and WU's withdrawal from international message operations have adequately compensated RCA. The only other justification offered for the provisions of Schedule B -- promotion of use of direct circuits wherever possible -- has similarly been extinguished by changed circumstances. Today, since all IRCs operate both cable and satellite facilities, the putative advantage in RCA's being a radio carrier has disappeared. RCA is a trong competitor in the international message service and does not need special protection. It is in a position to compete with the other carriers for traffic on an equal footing. Therefore, we believe that Schedule B is inconsistent with the public interest in efficient communication service and should be eliminated from the new formula we are prescribing herein.

29. We do not agree with RCA that because Schedule B is a contract which is presently effective, we must recognize its rights thereunder in an amended distribution. Section 222(e)(3) provides that a new distribution must "be, so far as is consistent with the public interest, in accordance with the existing contractual rights of the carriers." 47 U.S.C. §222(e)(3) (1971). The Act by its terms does not require us to recognize existing contracts which we find to be contrary to the public interest. Schedule B is merely another part of the formula and subject to our review in the same way, and under the same standards, as any other part. The fact that RCA denominates it a contract does not alter its status in this proceeding. The present formula as a whole is the result of an agreement of the parties in which each gave up certain rights and gained others and can, therefore, be said to constitute a contract between them. To characterize Schedule B, and

by extension the whole formula, as RCA advocates would render Section 222(e)(3) meaningless, since a new formula would necessarily be inconsistent with "existing contractual rights of the carriers" and could never be changed. We do not believe Congress intended such an absurd result. Rather, to give effect to the apparent intent of Congress, Sections 222(e)(3) must be regarded both as a protection for individual carriers, by requiring us to consider certain of their contractual rights if any amended formula, and as a delegation of authority to us to review those contracts in the public interest.

30. We also note that Schedule B was not in existence before the merger and only became effective upon our prescription of the formula. As we have said, it is an arbitrary compromise and amounts to a reformation of, and replacement for, the 1931 WU/RCA traffic exchange contract. Thus, even if the contract language covers WU's prior contracts, it would not apply to Schedule B, since RCA chose to negotiate a new arrangement with WU to govern their relations after the merger rather than to rely on the protections afforded by the statute. Therefore, RCA cannot now rely on that provision to thwart amendment of the formula.

31. We also regard Section 222(e)(3) as conferring upon us specific power to review contracts between the carriers and to determine whether they continue to serve the public interest. Unlike development of the original formula, amendment does not depend, even in the first instance, upon agreement of the carriers. Any party can invoke our jurisdiction to this end, or we can proceed on our own motion. Therefore, even where a provision takes the form of a "contract" between the parties, the express language of the statute requires that it serve the public interest. Where, as here, we find the provision inconsistent with that interest, Congress gave us in Section 222(e)(3) the power to prescribe a new distribution without regard to its provisions.

32. Appendix One. The concerns expressed above with respect to Schedule B apply equally to Appendix One to the formula. This provision sets forth a special arrangement respecting CNR and CPL and their handling of certain United States-originated traffic, pursuant to pre-merger contracts with Postal. Under this provision, CNR receives traffic to any point routed by the sender over cable facilities which transit Canada. In addition to such routed traffic, CPL also receives sufficient unrouted traffic destined to points in Areas B and C (i.e., the West Indies and

Australasia) so that its proportionate share of such traffic before the merger would be maintained. This arrangement was designed to recognize CPL's rights under exchange-of-traffic contracts it had concluded with Postal and which were still in effect at the time of the merger. CPL stated that it believes it is entitled to receive traffic under this provision by virtue of the pre-merger contract and argues that the new formula should recognize those rights. CNR, however, has indicated it no longer wishes to participate in traffic distributed under this provision since it states that the revenues it receives thereunder are not sufficient to justify its continued participation in the costs of administering the formula. In view of our action herein, we will grant CNR's request to withdraw.

33. We believe that this special arrangement also should be terminated. The original justification for the provision was that the only direct cables serving the affected points landed in Canada. Accordingly, we acquiesced to the arrangement to respect a customer's choice to route his message via cable; even though that required intermediate relays and created a greater potential for delay, which could have been avoided by use of then-available direct radio circuits. The fact that we were then engaged in World War II was an important consideration in our approval of this arrangement. The availability of alternate routing through Canada for messages to Australasia was considered important to the war effort. See 10 FCC at 193. After the war ended, however, that consideration ceased to be a major factor. Moreover, today those points are served by cable and satellite facilities directly from the United States. Therefore, any operational justification for this circuitous routing has disappeared. In this situation, we believe that the public interest will be better served by placing all carriers on an equal footing with respect to this traffic. Traffic arbitrarily awarded under Appendix One could otherwise go to other carriers who have no less claim to it than the Canadian carriers. Therefore, we conclude that Appendix One disserves the public interest. Accordingly, we shall eliminate the arrangement from the new formula.

34. As we have noted, Appendix One was designed to recognize rights under CNR's prior contract with WU and CPL's prior contract with Postal. Therefore, under our analysis, this arrangement, at least insofar as it relates to CPL, is the type of contract Section 222(e)(3) was designed to protect. However, Appendix One, like Schedule B, is a reformation of those prior contracts. Appendix One provides by its own terms that, in the case of any conflict between its provisions and the prior contracts, Appendix One shall control. Accordingly, CNR and CPL must

also be considered to have foregone the protections of Sections 222(e)(1) and 222(e)(3). In any event, Section 222(e)(3) expressly gives us the power to review Appendix One in this proceeding and, since we find it inconsistent with the public interest, to abrogate it in a new method of distribution.

35. Our action herein does not deprive either CNR or CPL of their rights to exchange traffic with WU to any point. These carriers will continue to receive all traffic specifically routed by the sender via their facilities. Further, to the extent that they handle routed traffic to any point, they will qualify under the interim formula for their proportionate share of unrouted traffic. It is only with respect to unrouted traffic which was distributed on an arbitrary basis that our action has any effect. Thus, CNR and CPL are placed on the same basis as all other carriers and can compete with them for all traffic they receive. In this way, we believe that unrouted traffic may be distributed equitably, without undue benefit to any party.

36. As is apparent from our discussion of the interim formula, the right to receive traffic carries with it a consequent responsibility to share in the costs of distribution under it. With respect to CNR, we will grant its request to withdraw from participation in the distribution of traffic under the interim formula, unless and until, it notifies us that is wishes again to participate. Until such time, any traffic specifically routed via CNR will be considered unrouted for purposes of the interim formula. With respect to CPL, we will assume, unless otherwise notified, that it wishes to continue to participate in the distribution under the conditions we have set forth herein.

37. WU/WUI Public Offices. Under the 1963 amendments to the formula, we added a provision which permitted certain WU (domestic) public offices in New York, Washington and San Francisco 15/ to be designated as WUI public offices, so that messages filed in those offices are

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15/ Specifically, the formula designates as WUI offices (1) all WU public offices south of 60th Street in the Borough of Manhattan, New York (at present there are three), (2) the main and one branch WU office in Washington (at present there is only one designated office), and (3) the main and one branch WU office in San Francisco (now, only one office). WU Cables did not serve Pacific Points, so there was no WU "gateway" in San Francisco as such. However, WU transferred Pacific-destined traffic to RCA in San Francisco. To allow WUI to begin operations on an equal footing with the other IRCs, we granted its request for a San Francisco gateway as part of the divestment proceeding. See 30 FCC 323, 371-82 (1961).

automatically considered as specifically-routed via WUI. This was done to spare WUI the expense of establishing its own public offices so that it could compete strongly with the established IRCs. ITT and TRT have challenged this provision as unduly favorable to WUI since it thereby continues to be spared the expense of maintaining public offices which the other IRCs must incur. Further, ITT believes this arrangement, due to the similarity between the respective names of the two companies, also fosters confusion among the using public (and some WU employees) as to the routing of international messages. ITT asserts that WUI is now a viable, aggressive competitor and should be required to open its own public offices. In response, WUI denies that it receives an undue advantage from this arrangement. WUI notes that ITT and RCA have more offices (14 for RCA and 10 for ITT) in New York than the three WU/WUI offices (each carrier has one office in Washington and one in San Francisco) and that WUI is barred from opening its own offices by its agreement with WU. Further, WUI asserts that it must pay WU's landline haul charges for each message it receives through these offices, while the other IRCs do not pay WU for messages filed at their public offices.

38. We are not concerned precisely with the question whether WUI achieves a quantifiable competitive advantage by the arrangement. Whether or not the money WUI saves by not operating its own public offices is offset by the additional landline haul it pays to WU (although we are inclined to believe that it is not), the use of WU public offices as WUI offices is inconsistent with our new policies. The present arrangement was a carefully-drawn compromise which was intended to preserve each carrier's pre-divestment traffic shares in New York while not depriving WUI of former WU Cables traffic or forcing it into early outlays of cash for new offices of its own. See 30 FCC at 377-9. However, we specifically left open the question of future developments without opinion. 16/ During the past 14 years, WUI has become a viable carrier and no longer needs special arrangements to protect its position. We are not persuaded by WUI's argument that it is blocked by its contract with WU from opening its own offices. In connection with its

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16/ Western Union Divestment, 30 FCC 323, 382 (1961):

> What will happen in the future will, of course, depend on the competitive efforts and the effectiveness of the carriers. That, however, will be the natural and proper result of operating in a competitive society.

counter proposals, discussed above at paragraph 12, WUI Supplemental Comments at p. 8. We find it peculiar that in the one case WUI argues that it is legally unable to open offices; but under the other, it sees no such impediment. We are of the opinion that WUI is under no legal disability with respect to opening its own offices.

39. In reconsidering our approval of the WU divestment, 30 FCC 951 (1961) we stated that

> so long as [WUI] desires to use the facilities of Western Union and have unrouted traffic filed at designated offices of that company considered specifically routed via [WUI], it should not be permitted to open additional competing offices of its own in the gateway cities. 30 FCC at 958.

We are not here talking about opening additional offices; but of replacing the designated WU offices entirely with its own offices. Therefore, neither our divestment order, nor the formula prevents WUI from following this course.

40. Further, we believe that there is at least one way in which WUI is presently deriving a competitive benefit from this arrangement. We note that in New York and San Francisco, WUI maintains its own network of customer tielines for international telex; and that it is in the process of reterminating its Washington tielines (as well as the intercity lines between Washington and New York) at its own operating center. 17/ Telex tielines are direct connections between a customer terminal and the WUI telex switch and are essentially automated. Consequently, they require less human intervention than the manning of a public message counter such as those of the other IRCs. It appears, therefore, that WUI is operating its own competing telex network while relying on WU offices for the more labor-intensive message service. This we believe to be a substantial benefit -- particularly since telex customers may also use their tielines to file overseas messages. 18/

17/ While WUI's tielines presently terminate at WU's Washington office, the concentrator to which they are attached is owned by WUI and maintained by WU pursuant to a contract.

18/ We are concerned by the requirement in the WU/WUI contract that WUI pay WU its specified landline haul charge whether or not WU picks up the message. We believe that WU is not entitled to landline haul charges where it has not performed any functions. See All America Cables and Radio, 15 FCC 293, 317 (1950).

While this is not a violation of the formula, we believe the policy reasons discussed above for requiring WUI to choose between using WU offices or its own, but not a mixture of both, should apply here equally.

41. As to WUI's contractual obligation to WU, after 15 years we believe it bad policy for private parties to extend further a contract which is unnecessary and contrary to the public interest. In view of the small volume of message traffic filed through the designated offices, the impact on WU from the loss of its landline haul charges for this traffic will be minimal and will be outweighed by the benefits of increased competition. We note, however, that WU did not address in its pleadings the question of its contract with WUI. Therefore, we will not make any order respecting the disposition of the WUI public offices at this time. We note that under Section 214(d) of the Act, we have the power to require a carrier to open a public office or offices. While we are not now instituting such proceedings, we are prepared to do so if that becomes necessary. In connection with this matter, we have included in Section IV of the interim formula a provision labeled "special interim provision for WUI" continuing the essentials of the present WU/WUI arrangement. Upon the opening of new WUI offices, we shall amend the formula to remove the interim provision.

III. SUMMARY AND CONCLUSIONS

A. The Present Formula

42. In determining whether the present distribution meets the statutory standard, Section 222(e)(3) requires us to look both at private interests and at the public interest. It is clear that the various carriers have a legitimate and protected interest in assuring that their share of traffic under the formula be equitably determined. Since the formula governs relations between competitors, it is more difficult to measure its impact on the public. However, we believe that for purposes of this proceeding an appropriate general statement of the public's interest is the statutory requirement that we guarantee residents of the United States a rapid, efficient communications service with adequate facilities and reasonable charges. 47 U.S.C. §151. We believe

the market-sharing features of the present formula are ill-designed to advance this statutory goal. In the early days of international telegraphy, and particularly when cable carriers and radio carriers were separate entities, there was a vigorous competition which benefitted the public in the form of increased service coverage and substantially reduced rates. Today, in services such as telex and leased channel there is still a vigorous competition. The disappearance of radio/cable competition and the institution of the formula significantly blunted, although did not eliminate, competition in message service. The charges for message service have not increased substantially, but there has been no stimulus under the present formula to improve service or increase efficiency. In this situation, we believe that the public is ill served by a formula which stifles user choice.

43. In the designation order, we directed the parties to provide information concerning the effects on them, as well as the public, of any defects in the present formula (issue 3). From the responses to that issue, it is apparent that, like the effect on the public, the effects on the carriers of the matters we considered above are impossible of concrete quantification. The inequities we outlined above did not occur suddenly; but evolved over time and were the result of interacting forces. While this situation renders quantitative determination of the effects on individual carriers and the public exceedingly difficult, if not impossible, we believe the record before us as well as elementary logic clearly warrants the conclusion that both the individual carriers and the public have been harmed by the formula's denying a carrier unrouted traffic. The carriers so affected have seen their marketing efforts essentially nullified by the balancing provisions -- ironically, the more successful those efforts have been, the more the carrier has been penalized. The formula's arbitrary disregard of the public's role has thwarted its expectations and may have resulted in an improper allocation of resources. Accordingly, we have concluded that those who have been injured are entitled to relief.

B. The New Method of Distribution

44. In view of the foregoing, we have concluded that the present formula should be repealed. Since the special circumstances which prompted creation of the present formula more than thirty years ago no longer exist, we believe that traffic should be distributed on the basis of customer choice. In this way, the public interest will be best served, since the public will make its own decisions. WU and OT suggested that customers be required to specify the routings. While we agree in principle that we should proceed in this direction, we do not believe that the record presently before us is adequate to adopt this method at this time.

45. Although the parties were not notice that we would consider a requirement for specific routings, neither the proponents nor the opponents of this method addressed the legal or economic issues raised thereby. Consequently, we are unable at this point to determine the extent of the economic burden which would result from a requirement for specified routings, or the proper sharing of that burden between WU and the IRCs. The results of the WU study show that in 1974 approximately 3.0 million messages or some 35% of all outbound international traffic was unrouted. The study also indicates that a large number of customers either do not care to route their messages or that they are not familiar with the different IRCs, since three-fourths of WU transfers are unrouted. We believe that this is because the IRCs have not effectively sought to reach these users and that this failure may prevent the efficient operation of a customer-routing system at this time.

46. Because of the apparent unfamiliarity of users with the IRCs or their respective merits, required customer routings will require that such users be informed of their choices at the time of filing. For nearly half of all customers who file overseas messages, the only carrier with which they have contact is WU. Therefore, until IRC advertising can become effective, WU employees will be required to provide users with this information. Because of the number of customers involved, we believe this may place a substantial burden on WU. None of the parties considered the increase in WU's costs which would follow from this expanded role, or the effect of that increase on the users of both domestic and international service. To assure that no prejudice will result, we

are of the opinion that suitable instructions and operating arrangements, agreeable to all concerned, are needed to guide WU in presenting the public a mandatory choice among IRCs. The information now before us, however, is insufficient to prescribe those instructions or operating arrangements.

47. To gather the information we need for decision, we will direct the interested parties to address the matters we have discussed above, as well as any matters they choose to raise, concerning the implications of the all-routed approach and the means to implement it in an expeditious and orderly fashion. In the interim, we will prescribe a distribution of outbound traffic on the basis of the formula in the Appendix hereto. While we are considering the carrier responses, the interim formula will provide an equitable means of distribution which will focus on customer selection and give the IRCs a chance to solicit routings. In this way, the eventual role of WU in the informational and operational process will be reduced; as will the potential for unfair advantage to any party from that role. We expect that the IRCs will use this period to expand their solicitation efforts, so that the customer routing system will work smoothly and efficiently. Further, we expect the parties during this period to work out mutually-agreeable procedures for implementation of the all-routed distribution system so that we can avoid later controversy on this point. Should the parties fail to agree on such procedures, however, we stand ready to prescribe them if that becomes necessary.

48. Interim Formula. In developing the interim formula, we have sought to eliminate complexities which have made the present formula difficult to administer and a source of controversy. For this reason, the interim formula treats all classes of messages as a whole, rather than individually as at present. For the same reason, we see no need to continue separate gateway and hinterland quotas. Rather, the interim formula recognizes only two categories of traffic -- routed and unrouted. WU will continue to distribute specifically-routed traffic to the designated carrier. Unrouted traffic will be distributed pursuant to a simplified quota system for all traffic wherever it originates in the United States. Further, we are discarding the concept of "gross international tolls" as a basis for calculating a carrier's quota. Random distribution of messages as they are filed will, over the long run, insure that each carrier receives a fair share of revenues. We will also delete the balancing provisions, since there is no longer any need for them. This will also eliminate the chief cause of the distortions in the present distribution and prevent the future accumulation of overages and deficiencies. Under the new formula, any short-run imbalances which may occur due to

traffic variations will correct themselves over time. One important feature of the interim formula is the provision for adjustment of the carriers' quotas. This will permit distribution to remain closely tied to changing conditions and assure that the present distortions do not recur.

49. Under the interim formula, a carrier is entitled to receive unrouted traffic to all points it is authorized to serve. ITT had proposed that unrouted traffic be distributed on a country-by-country basis among those IRCs authorized direct circuits to each such point. TRT, on the other hand, would base distribution on the points a carrier tariffs, whether served by direct circuit or through interconnection. We believe that ITT's proposal in this regard is not suited to our overall goal. Beyond the problem raised by RCA of defining a "direct circuit" (which ITT does not address), basing distribution solely on direct circuits would leave significant gaps in providing for the handling of traffic. This is because there are numerous destination points in the world which no carrier serves directly. Under the ITT proposal, there would be no provision for unrouted traffic to these points.

50. More fundamentally, however, we take exception to the philosophy underlying ITT's proposal. ITT, which has advocated competition throughout this proceeding, here seeks to limit competition. The effect of this proposal would be to deny small carriers, such as TRT or FTC, significant unrouted traffic, since those carriers serve a higher percentage of their service points through intermediate connections. We cannot find a justification in the public interest to so limit competition in this area. Since all carriers compete for traffic irrespective of routing, the only appropriate criteria are whether a carrier tariffs a destination point -- since a carrier may tariff only those points it is authorized to serve -- and whether a carrier handles routed traffic to a point. Therefore, eligibility for a quota will be based on the points each IRC lists in its tariff as of the release date of this order. If a carrier adds new service points, it will receive unrouted traffic to those points to the extent that it handles routed traffic. In this way, distribution can be updated to keep it in touch with changing circumstances. By limiting adjustments to six-month intervals, WU can be certain of its responsibilities and be spared the need for too-frequent changes in its distribution practices.

51. ITT and TRT also disagree on how to compute the volume of unrouted traffic to each destination an eligible carrier is to receive. ITT proposed that the volume be calculated on the basis of each eligible

carrier's share of WU transfer traffic (gateway and hinterland). TRT, on the other hand, argued for distribution based solely on hinterland WU transfers in the belief that inclusion of gateway-originated traffic (including direct pickups) favors the New York carriers. We believe that the volumes should be based on all routed traffic, wherever originating in the United States. This includes direct pickups, direct access, and routed WU transfers. This is the most likely way to achieve the goal of distributing unrouted traffic on the same basis as routed. Direct pickups are by definition specifically routed and represent a significant portion of overall traffic. Therefore, to ignore such traffic would be unrealistic and contrary to our overall policy herein.

52. Looking beyond the features of the new formula, we will dispose of some remaining matters starting with WU's request that it be relieved of distributing traffic among the IRCs. While we are sympathetic to WU's desire to simplify its role, we cannot agree that it should be totally relieved of its responsibilities under the new formula. WU receives significant revenues from its participation in through international message service, so it cannot say that it has no interest in such traffic. Therefore, we have declined to accept its proposal to turn over all traffic to the IQB for distribution. Since WU receives the traffic from the public, it is in the position most expeditiously to effect distribution. Turning traffic over to the IQB would merely introduce an extra level of processing which would increase the risk of delays and increase distribution costs. The elimination of multiple categories, origin points, etc., outlined above will allow WU to streamline its operations and decrease its costs. We agree with WU that it should be reimbursed for the reasonable costs it incurs in effecting distribution; but do not believe it should receive a profit for its function. As we have noted, WU receives payment for its landline haul; we see no reason for it to receive a second payment from formula administration for the same traffic -- beyond its out-of-pocket expenses. We anticipate that IRC solicatation of international traffic under the new formula will reduce the amount of unrouted traffic that WU must handle. Thus, its function will be further simplified as that process occurs. Finally, we see no reason why WU cannot automate the handling of traffic under the new formula if it believes that will be in its interest. Accordingly, we will continue to require WU to make the distribution of traffic under the new formula.

53. Accumulated Overages and Deficiencies. We turn now to a matter of particular contention among the parties -- the disposition of the accumulated deficiencies and overages. RCA asserts that legally and

as a matter of equity it must be compensated for its deficiencies. As we indicated above, however, we agree with the other parties that these are no more than statistical records which indicate the structural weakness of the present formula. RCA does not state why it believes that deficiencies represent a legal obligation in which it has a vested interest. Neither Section 222, nor the formula itself, directs the accumulation of deficiencies or overages. In our order prescribing the formula we did not consider the question. RCA appears to be asserting that its quotas give it a claim to a guaranteed amount of traffic. The present formula does not guarantee any carrier that it will receive traffic. As more customers routed messages and the unrouted pool shrank, traffic available for distribution became inadequate to satisfy quotas. Such changes in the marketplace can hardly be said to have wronged RCA -- particularly since its own increase in self-generated traffic and the benefits it received under Schedule B contributed to this process. Similarly without merit is RCA's contention that it has an equitable claim to compensation because it complied with the formula in good faith. The present formula is a legal obligation on the parties and compliance with its provisions is mandatory. Accordingly, we believe that the accumulated overages and deficiencies should be cancelled, without compensation, and that distribution under the new formula should be made without reference thereto.

54. Administration. The simplest method for handling the day-to-day administration of the interim formula will be to continue to rely on the IFC and the IQB. However, if the IFC is satisfactorily to perform its functions with respect to the interim formula, all interested carriers must be equally represented on it. Presently, FTC and CPL have no representation on the IFC. Since those carriers have an interest in the interim formula they should be represented. Accordingly, we will expect that upon application FTC and CPL will be admitted to the Committee with the full rights and responsibilities of membership, including participation in the costs of the Committee and its functions.

55. As mentioned above, ITT presently has four votes on the IFC and RCA has two, while all others have one each. This situation resulted from the fact that these companies owned constituents which operated in different areas, employed different media, or provided different services. We must now recognize that those entities either no longer exist (having been merged into one company) or are under common ownership. To make the IFC a viable tool for supervising the interim formula's operations, we believe that we should recast it so that all interested members

have one vote each. The parties in their response to WUI's proposal in this regard indicated no opposition to equalization. Under Section 222 (e)(3), we have the power to repeal the present formula, which would terminate the IFC, and to prescribe a new formula and create a new committee with equal representation. We believe that we can legally accomplish the same result by restructuring the present committee. As before, all costs incurred by the IFC in administering the interim formula shall be borne by the members in the proportions they receive traffic under it. 19/

56. The interim formula shall become effective on February 1, 1976. The Initial quotas shall be determined by the IQB on the basis of the WU 13-week study and the information supplied by the IRCs in this proceeding. 20/ Inasmuch as no party has raised any objection to this information, and all have agreed to its use, we believe it will represent an equitable basis on which the IQB can make the necessary calculations and issue the appropriate distribution instructions to WU. The IQB shall calculate the initial quotas of unrouted traffic for each country of destination by determining from the above information the number of routed messages (as defined in Section IV of the interim formula) to such destination handled by each IRC. The individual carrier figures will then be totaled for each destination and each carrier's figures compared to that total. The resulting ratios will represent each carrier's share of routed traffic for each destination point and, therefore, its

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19/ A companion proceeding in this docket was instituted to consider a request by WU for increased payments for its domestic handling of overseas message telegrams (landline haul). By Memorandum Opinion and Order in this proceeding, 55 FCC 2d 96, reconsideration granted in part and denied in part, 55 FCC 2d 382 (1975) (Docket No. 19660), we approved as a basis for terminating that proceeding a settlement agreement entered into by the parties under which WU's landline haul divisions for full-rate messages were increased from 6.5¢ per word to 9.5¢ per word (with corresponding lesser increases for lower classes of service). Our order amended Schedule C of the present formula by substituting the new divisions. Our action herein does not affect this provision other than to change its designation to Schedule A to reflect the fact that the two preceding schedules have been replaced.

20/ As noted, FTC and US-Liberia did not provide information concerning their direct gateway pickups during the study period. Therefore, we will direct each of these carriers to file by January 10, 1976, with the other IRCs, the IQB, and the Commission data on all traffic it picked up directly during the period December, 1974 through March, 1975. These responses shall be presented in the same format as that in the WU 13-week study and in the other IRC reports.

quota of unrouted traffic under the interim formula to that point. For purposes of these calculations, the IQB will employ the applicable destinations as shown in the WU 13-week study. WU will then begin distributing unrouted traffic on the basis of these percentages on February 1, 1976.

C. Canadian, Mexican, Newfoundland Formulas

57. There is an additional matter which while not directly in issue in this proceeding, we believe appropriate to address. Section 222(e)(2) of the Act, requires a separate formula to govern distribution of outbound message traffic to Canada and Mexico. This was done to reflect the fact that under Section 222 Canada, Mexico, Newfoundland, and St. Pierre-Miquelon are considered domestic points. Pursuant to this requirement, formula for Canada and Mexico were agreed upon and prescribed by us, 10 FCC 184, 193-4 (1943). In addition to these, a separate formula was developed also for Newfoundland traffic. In its original request, ITT did not raise, and the respondents did not address, the question whether any change in these formulas is needed. However, we have decided to review these matters on our own motion.

58. The Canadian, Mexican and Newfoundland formulas do not present the same questions of arbitrary market division or special benefits we have examined above in connection with the international formula. The Canadian formula, for example, was designed primarily to preserve after merger, CPL's rights under its prior exchange-of-traffic contracts with Postal. (WU had exchanged traffic with CNR). The formula contained no cumbersome quota system and provided for periodic adjustment to keep its provisions in touch with developing circumstances. However, it now appears to us that this formula is unnecessary, since it appears that CNR and CPL no longer provide duplicating services. This being the case, there would be no opportunity or desire on the part of WU to discriminate between the two carriers. Therefore, we will repeal the Canadian formula.

59. It appears that a formula for Newfoundland traffic has similarly become unnecessary. The original reason for a separate formula for this point was to preserve to Commercial Cable Company (one of the

predecessors and constituents of ITT) the pre-merger traffic which it handled to Newfoundland over its transatlantic cable and to preserve CPL's rights under its Postal contracts. Since then, however, that cable has been taken out of service and CPL no longer serves Newfoundland. Therefore, there appears no longer to be a need for this provision. Accordingly, we will repeal this provision as well.

60. The Mexican formula also appears to be unnecessary. The purpose of the formula was to accommodate two then-existing factors. First, WU turned over Mexico-bound traffic both to the Mexican administration and to the Mexican Telegraph Company. This latter company, a joint venture of WU and an ITT predecessor, operated both within Mexico and between Mexico and the United States. It was felt necessary to provide for dividing traffic between the two entities providing service to Mexico. However, the Mexican government nationalized the Mexican Telegraph Company in 1949 and has unified all telegraph operations in one entity. WU today turns all unrouted traffic over to that entity. Second, prior to the merger, TRT and RCA also operated circuits to Mexico (connecting with the Mexican government lines). The Mexican formula preserved these operations after the merger and directed WU to turn over all traffic specifically routed via these carriers. We believe there is no need to continue a separate arrangement for Mexico. Rather, we will require WU to continue honoring RCA and TRT specific routings. All unrouted traffic will be turned over to the Mexican entity. We wish to emphasize, however, that our action does not relieve WU of its obligation to treat all carriers in an equitable and non-discriminatory manner in distribution of outbound traffic.

D. Maritime Formula

61. Comsat General has asserted that the present formula under which telegraph traffic between points in the United States and ships at sea is presently distributed will not be suitable upon introduction of maritime satellite facilities; and requests that a separate inquiry be initiated to consider the need for revision of the maritime formula as well as specific proposals for such revision. We note that

ITT in its original petition did not address the maritime formula and that the inquiry herein was limited to the formula covering overseas telegraph messages. See 43 FCC 2d 1174. Consequently, the parties were not directed to address the merits of the maritime formula. However, we note that, like the formula under consideration, the present maritime formula is based on a quota system tied to market shares in a pre-merger base period (in this case, 1938). Therefore, the objections we have expressed with respect to market-sharing devices in the international formula may apply to the maritime formula as well. In this situation, we agree with the parties who have commented on the subject that it would be appropriate to examine the maritime formula and that this should be done in a separate proceeding. Accordingly, we will by separate order direct all interested persons to file comments on the continued reasonableness of the maritime formula.

62. In summary, we have concluded that the public interest in the provision of international telegraph services will be best served by relying primarily on consumer choice for the distribution of traffic among the several international record carriers. Due to certain unresolved questions concerning possible operational, economic and legal implications, we will not prescribe that all international telegraph traffic must be specifically routed by the customer. As an initial measure, we shall prescribe a formula which distributes unrouted traffic among the carriers in direct proportion to their share of routed traffic. By thus rewarding the successful competitor -- rather than penalizing him as does the present formula -- we expect a more aggressive marketing effort and a consequential reduction in unrouted traffic. Meanwhile, we are soliciting prompt comments concerning the operational, economic, and legal implications of an all-routed distribution in order that we may reach an early decision concerning whether the public interest would be served even better through this means.

63. Accordingly, IT IS ORDERED, Pursuant to Sections 1, 4(i), 4(j), 201, 222(e)(1), 222(e)(3) and 403 of the Communications Act of 1934, as amended, that the formula prescribed by the Commission in 1943 pursuant to 47 U.S.C. §222(e)(1) (1971) governing distribution by The Western Union Telegraph Company among the international record carriers of outbound, unrouted international message telegraph traffic, and all prior amendments thereof, is (with the exception of Appendix 2) hereby REPEALED, effective March 1, 1976;

64. IT IS FURTHER ORDERED, Pursuant to Sections 4(i), 4(j), 201, 222(e)(3) and 403 of the Communications Act, that the parties to the formula inquiry are directed to file, and any interested person may file, on or before March 26, 1976, comments on the legal, economic

and operational implications of distributing outbound, unrouted message telegraph traffic on the basis of required customer routings and the means by which transition to such a method may be efficiently made; replies to the above comments may be filed on or before April 23, 1976;

65. IT IS FURTHER ORDERED, That the interim formula set forth in the Appendix hereto is hereby PRESCRIBED as the formula for distribution of such outbound traffic and shall be followed from March 1, 1976 until further order of the Commission;

66. IT IS FURTHER ORDERED, That distribution of traffic under the interim formula prescribed herein shall be based initially on the respective international record carriers' shares of such traffic derived from the information supplied by the carriers in this proceeding and the results of the study of outbound traffic conducted by The Western Union Telegraph Company; in this connection, French Telegraph Cable Company and United States-Liberia Radio Corporation shall file with the Commission and the International Formula Committee/International Quota Bureau on or before January 20, 1976, the number of outbound international telegraph messages picked up by them directly during the period of the Western Union study, broken down by destination according to the format used in that study;

67. IT IS FURTHER ORDERED, That the formulas prescribed by the Commission in 1943 pursuant to 47 U.S.C. §222(e)(2) governing distribution of outbound, unrouted message telegraph traffic between the United States and Canada, Newfoundland, and Mexico, respectively, are hereby REPEALED: The Western Union Telegraph Company shall distribute such traffic in a fair and non-discriminatory manner which will, to the extent possible, honor the choice of the customer in designating the carrier to which such traffic is to be transferred; and

68. IT IS FURTHER ORDERED, That the requests of RCA Global Communications, Inc. and Western Union International, Inc. for the convening of oral evidentiary hearings in this proceeding are hereby DENIED.

FEDERAL COMMUNICATIONS COMMISSION *

Vincent J. Mullins
Secretary

Copy of Separate Statement of Commissioner Hooks attached.

APPENDIX

Formula, Pursuant to Section 222(e)(1) of the Communications Act, for the Distribution of Outbound International Message Telegraph Traffic Handled by the Western Union Telegraph Company, As Amended Through December 22, 1975.

This formula, pursuant to Section 222(e)(1) of the Communications Act of 1934, as amended, provides the method for distribution by The Western Union Telegraph Company (hereinafter referred to as Western Union) among international telegraph carriers of outbound international message telegraph traffic handled by it within the Continental United States, as that term is defined in Section 222(a)(10) of the Communications Act.

The traffic for which distribution is provided herein is all message telegraph traffic by wire or radio, specifically routed or unrouted, handled by Western Union originating in the continental United States, provided, however, that quotas established in Section V hereof shall not apply to the non-message or measured services offered by the carriers, nor to marine (shore to ship) traffic handled by Western Union with respect to the distribution of which a separate formula is annexed hereto as Schedule B.

II. Interested Carriers

The international carriers interested in the distribution of traffic provided for in this formula will be the following (unless and until other international carriers enter business):

Canadian Pacific, Ltd.
French Telegraph Cable Company
ITT World Communications Inc.
RCA Global Communications, Inc.
TRT Telecommunications Corp.
U.S.-Liberia Radio Corp.
Western Union International, Inc.

In general, an international carrier is interested in the distribution of traffic provided for herein whenever it handles routed traffic to a destination point under the conditions set forth in Section V, below.

III. Specifically-Routed Traffic

The right to receive a quota under this formula shall not purport in any manner whatsoever to limit or to restrict a carrier's scope of future operations; and a carrier shall always be entitled to receive its specifically-routed traffic to all destination areas, if it accepts such traffic in pursuance of its published tariffs and transmits it to an overseas point.

IV. Categories of Messages

For purposes of calculating the quotas specified in Section V, below, all categories or classes of traffic shall be considered in the aggregate with one quota covering all classes of message telegraph traffic.

Notwithstanding any provision in this formula to the contrary, Western Union and all international carriers shall respect specific routings of any messages handled by it, and shall transfer to another carrier any messages specifically routed via such other carrier. All international messages delivered by Western Union shall carry in the preamble the agreed upon "via" of the international carrier which transferred the message to Western Union. Messages shall not be considered specifically routed by virtue of the use of a particular carrier's telegraph blank. For purposes of, and whereever used in, this formula, a message shall be considered specifically-routed via a particular carrier in any of the following cases:

(a) Where messages are filed at an office established, operated, and maintained by an international carrier, whether filed in person, by messenger, by telephone, or received over a tieline or other directly-connected facility terminating in such office, unless the customer specifically routes such messages via a carrier other than the carrier maintaining such office (direct gateway pickup);

(b) Where messages are filed directly with a particular international carrier at its gateway office by means of domestic communications networks such as domestic telex, TWX, telephone, or mail, or by messenger so long as the customer pays all charges incurred in connection with the use of such means for the purpose of filing international messages (direct access);

(c) Where messages are filed with an international carrier by a customer located outside that carrier's gateway city by means of a tieline or other directly-connected facility terminating in that carrier's gateway office, so long as the costs for establishing, operating and maintaining such facility are borne by the customer (hinterland tieline);

(d) Where messages are filed with Western Union at any of its offices (except those specified in (e) below) or by other means of filing provided for in the Western Union tariff, and transferred by Western Union to an international carrier over Western Union's landline system, so long as the following conditions are met:

(i) if, when filed in person, the specific routing is written in by the sender,

(ii) if, when filed by messenger, the message contains a specific routing which has been previously inserted by the sender (Messages shall not be considered specifically routed merely by virtue of the use of a particular carrier's telegraph blank),

(iii) if, when filed by telephone (whether to a Western Union office, an agency office, or to a Western Union Central Telephone Bureau), a specific routing is inserted by the receiving clerk at the unsolicited request of the sender, or

(iv) if, when filed over a tieline or other directly-connected facility, the specific routing has been transmitted by the sender; and

(e) (Special interim provision for Western Union International, Inc.). Messages shall be considered specifically-routed via Western Union International, Inc. when they are filed, without specific routing via another carrier having been designated by the sender, at all offices of Western Union located in the area south of 60th Street in the Borough of Manhattan, New York; the main office of Western Union in San Francisco, California; and the main office of Western Union in Washington, D. C. (all the above of which shall be considered as Western Union International public offices for purposes of this Section).

Traffic specifically routed by the sender via a particular carrier and destined to points not tariffed by that carrier shall be considered unrouted and shall be distributed in accordance with the provisions of Sections V and VI below.

But nothing in the foregoing shall be construed as requiring any international carrier to accept, over tieline facilities furnished to its customers by a particular carrier, messages which are routed by the sender via another international carrier.

V. Quotas

For outbound, unrouted international telegraph messages destined to particular international points, originating at points within the continental United States handled by Western Union, there shall be for each international carrier a quota of such traffic calculated without consideration either of the category 1/ or length of the message. An international telegraph carrier is entitled to receive from Western Union unrouted traffic under this formula picked up by Western Union for each overseas destination point listed in that carrier's effective outbound message telegraph tariff as of the release date of the order prescribing this

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1/ The categories of service recognized by the parties to which this formula applies are those shown in Schedule A of this formula.

formula, whether that carrier serves such point directly or by interconnection; and, thereafter, a carrier shall be entitled to a quota for each additional destination point which that carrier is authorized by the Federal Communications Commission to serve directly. As determined in accordance with the preceding, an international carrier's quota shall be, for each eligible destination point, the ratio of the number of outbound routed messages to such destination point (as calculated pursuant to Section IV above) handled by such international carrier during the base period to the total number of routed messages destined to that point handled by all international carriers serving that point (whether picked up directly by the carrier or transferred to it by Western Union) during the same period. Upon the effective date of this formula, the initial quotas shall be calculated on a basis as the Federal Communications Commission shall by order prescribe. Thereafter, the quotas shall be recalculated at six-month intervals on the basis of traffic figures for the equivalent preceding six-month period, at which time any adjustments to the number of destination points served by international carriers which have occurred since the previous adjustment shall be communicated to the administrative body provided for in Section X below which shall communicate to Western Union the appropriate change to be made in its distribution of traffic. The above adjustment shall take place on dates to be determined by the interested parties.

VI. Distribution of Traffic in Accordance with Quotas

The quotas established by Section V hereof shall be applied by Western Union as follows:

(i) Specifically-routed traffic shall be transferred to the international carrier indicated by such routing; and

(ii) Unrouted message shall be distributed (without regard either to their length or classification of service) in the order of their arrival at the Western Union distribution office so that each international carrier will receive a volume of unrouted messages which will equal its quota. If the messages so distributed fail in any month to give the international carrier its quota, the distribution of messages shall be modified as soon as practicable after the ascertainment of such deficiency in such manner as to compensate for such deficiency and to assure to such carrier thereafter receives its quota. Inasmuch as the quota system set forth herein is designed to change automatically if traffic patterns change, the imbalance referred to above will be essentially self-correcting. However, in no event are deficiencies which may result in the short run to be considered legal obligations in which any carrier has a vested interest; and, accordingly, there shall be no accumulation of such deficiencies from year to year. Each international carrier entitled to share in such distribution shall furnish to the joint distribution office any information necessary to enable such distribution of unrouted messages to be effected in accordance with this formula. For purposes of the semi-annual adjustment to the quotas provided for in Section V above, all interested international carriers shall determine dates each year by which traffic data is to be supplied to the committee provided for in Section X below.

If any international carrier entitled to a quota reserves in any month a larger percentage of unrouted messages than its quota, Western Union shall transfer to the other international carriers interested therein a sufficient number of unrouted messages destined to the same point to balance the excess received by the particular international carrier. These overages shall not be considered legal obligations of the particular international carrier and shall not be accumulated from year to year.

VII. Distribution Offices

The Merged Company shall distribute traffic destined for transfer to an international carrier from a distribution office or offices selected by it and approved by the Commission.

Each international carrier entitled to share in the distribution of messages from distribution offices of the Merged Company shall have access to such distribution offices at any time to protect its interests in the method of making such distribution and transfer of messages to its operating rooms.

VIII. Transit Traffic

It is understood that this formula does not cover any telegraph traffic originating outside the United States and transiting the United States, and that all such traffic handled by Western Union shall be turned over to the international carrier which would have handled the same if the consolidation or merger of Western Union and Postal Telegraph, Inc., had not occurred or as may be specifically routed.

IX. Equality of Treatment of International Carriers and Division of Charges

Except as provided in Section IV of this formula with respect to message traffic originating in certain gateway offices of Western Union, the services furnished by the Merged Company to the international carriers in connection with the handling of international traffic covered by this formula shall be uniform and non-discriminatory; and the division of charges for such outbound international traffic shall be such that Western Union shall retain or receive, for landline haul in connection with international traffic handled by it, or for pickup services, amounts which shall be prescribed from time to time by the Federal Communications Commission.

X. Administration

The supervision of the operations of this formula shall be by a committee of representatives of each of the interested international carriers, in which committee each carrier shall have equal representation, and the costs of which shall be equitably shared by the international carriers.

All costs involved in the maintenance by Western Union of distribution offices and in the distribution by it of traffic under this formula, including the cost of maintaining appropriate records as to the distribution, shall be equitably shared by the international carriers receiving traffic under this formula and reimbursed by them to Western Union; and all costs of distribution of traffic beyond the distribution offices of Western Union shall be borne by the international carriers. In the event there is disagreement among the members of the committee with respect to any feature of the distribution of traffic under this formula, the disagreement shall be submitted to the interested carriers, including Western Union. In the event the carriers are unable to agree among themselves, the matter shall be submitted to the Federal Communications Commission for a ruling.

XI. Effective Date of Formula

The provisions of this formula shall become effective and shall govern the distribution of traffic on February 1, 1976.

SCHEDULE A - DIVISION OF OUTBOUND CHARGES

The landline or pickup charges shown in the table below opposite each service classification under the caption "Divisions Per Word", and the number shown in the table below opposite each service classification under the caption "Minimum Number Chargeable Words Per Message," shall be respectively the charges per word (cable count), and the fewest number of words (cable count) per message which are to be charged by Western Union for handling outbound international message traffic in each classification handled by it regardless of the point of origin in the United States or the point of transfer to an international carrier in the United States, provided, however, that the merged company shall continue to pay to the Canadian carriers the same amounts per word which were being paid on July 1, 1958, with respect to that traffic exchanged with Canadian carriers destined to those points which are subject to the Telecommunications Agreement between the United States of American and British Commonwealth Governments (TIAS 2705, 1952).

Landline Haul Divisions

	Minimum Number of Chargeable Words Per Message	Division Per Word (cents)
Full Rate	7	9.5
Letter Telegram	22	4.75
U.S. Government Full Rate (No discount)	7	9.5
U.S. Government Full Rate (At discount) */	7	4.75
U.S. Government Letter Telegram	22	4.75
Other Government Full Rate (No discount)	7	9.5
Other Government Full Rate (At discount) */	7	4.75
Other Government Letter Telegram	22	4.75
United Nations Full Rate (No discount)	7	9.5
United Nations Full Rate (At discount) */	7	4.75
United Nations Letter Telegram	22	4.75
Meterological	7	4.75
Urgent Press	14	9.5
Ordinary Press	14	3.1

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*/ The "At discount" division shall apply if a discount of 50 percent applies to the through rates. As soon as the discount is eliminated with respect to any point, the charges applicable to "No discount" traffic shall automatically apply.

CONCURRING STATEMENT OF COMMISSIONER BENJAMIN HOOKS

In Re: Outbound International Message Distribution
Formula (Docket 19660, Rm 690).

I wish to indicate that I am now undecided on the question of complete abolition of a formula in the near future.

The decision herein establishes that formula as a 1:1, routed-to-unrouted percentage which is undeniably and perfectly fair. It removes the artificial inequities of the old formula and provides a competitive incentive for carriers to seek a greater share of traffic specifically designated to it.

While I will be pleased to entertain proposals for the abolition of a formula and intend to keep an open mind, there are problems involved in absolute abolition (nomenclatural and others) and I cannot commit myself to an automatic reconfiguration at a specific future date.

INTERNATIONAL FORMULA AS AMENDED

Effective October 1, 1963

INTERNATIONAL FORMULA AS AMENDED*

This formula, pursuant to Section 222(e)(1) of the Communications Act of 1934 as amended, shall be effective upon the consolidation or merger of the Western Union Telegraph Company and Postal Telegraph, Inc., after the approval of such consolidation or merger, and of this formula, by the Federal Communications Commission pursuant to said Act. The term "Merged Company" is used herein to refer to the domestic telegraph operations of The Western Union Telegraph Company following such consolidation or merger. The term "Western Union International" includes its predecessor, the international telegraph operations of The Western Union Telegraph Co. heretofore called "Western Union Cables."

1. Traffic for which distribution is provided herein

The traffic for which distribution is provided herein is all telegraph traffic, both message and nonmessage or measured services, by wire or radio, specifically routed and unrouted, handled by the Merged Company originating in the continental United States and destined to points outside the continental United States, Canada, and Mexico; Provided, however, That quotas established in sections IV and VI hereof shall not apply to the nonmessage or measured services offered by the carriers, nor to the following:

(a) Such telegraph traffic handled by the Merged Company, originating and destined as aforesaid, as may be distributed to Canadian National Railway Company (or other companies comprised in the Canadian National Railway System) and Canadian Pacific Railway Company pursuant to a supplement to this formula which is annexed hereto as Appendix 1, if said supplement is approved by the Federal Communications Commission;

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* "Formula, Pursuant to Section 222(e)(1) of the Communications Act of 1934, for the Distribution of Outbound International Traffic Handled by The Western Union Telegraph Company Following Merger with Postal Telegraph Co., Inc.," prescribed by the Commission. 10 F.C.C. 184 (1943), amended 25 F.C.C. 532 (1958), 30 F.C.C. 323 (1961) and 30 F.C.C. 951 (1961).

(b) Marine (shore to ship) traffic handled by the Merged Company, with respect to the distribution of which a separate formula is annexed hereto as Appendix 2; and

(c) Telegraph traffic handled by the Merged Company, originating in the continental United States and destined to Newfoundland, with respect to the distribution of which a separate formula is annexed hereto as Appendix 3.

The geographical areas of destination of the traffic covered by this formula are the following:

Area "A" - Atlantic

Sub-areas
(United Kingdom and Eire
(Continental Europe
(Beyond the Continent, including Greenland and Iceland
((but excluding Liberia)
(Liberia
(Saint Pierre-Miquelon

Area "B" - Latin America

Sub-areas
(Bermuda, Bahamas and the West Indies (other than Cuba)
(Cuba
(Central America
(South America

Area "C" - Pacific

Sub-areas
(Hawaii
(Midway and Guam
(Australasia
(Remainder of the Far East

II. Interested international carriers

The international carriers interested in the distribution of traffic destined to the respective geographical areas specified above will be the following (unless and until other international carriers enter business, or previously established international carriers whose business has been interrupted resume business, in the respective areas):

Area "A" Atlantic	A. C. & R. Group Press Wireless, Inc. (with respect to government and press messages) RCA Communications, Inc. (hereinafter called "RCAC") U.S.-Liberia Radio Corporation (hereinafter called "U.S.-Liberia") Western Union International
Area "B" Latin America	A. C. & R. Group Press Wireless, Inc. (with respect to government and press messages) RCAC Tropical Radio Telegraph Company (hereinafter called "Tropical") Western Union International
Area "C" Pacific	A. C. & R. Group Commercial Pacific Cable Company (hereinafter called "Commercial Pacific") Press Wireless, Inc. (with respect to government and press messages) RCAC

The term "A. C. & R. Group" refers collectively to the subsidiaries of American Cable and Radio Corporation; in the case of Area "A", the reference is to The Commercial Cable Company and Mackay Radio and Telegraph Company (Delaware); in the case of Area "B", the reference is to All America Cables and Radio, Inc., Mackay Radio and Telegraph Company (Delaware) and Mackay Radio and Telegraph Company (California); and in the case of Area "C", the reference is to both said Mackay Radio and Telegraph Companies. It is the intention hereof that quotas shall be established as provided in this formula for said A. C. & R. companies as groups as aforesaid, and that no quotas shall be established for said companies individually.

A. The right to receive a quota under this formula shall not purport in any manner whatsoever to limit or to restrict a carrier's scope of future operations; and although a carrier may not qualify for a quota, it shall always be entitled to receive its specifically routed traffic to all destination areas, if it accepts such traffic in pursuance of its published tariffs and transmits it to an overseas point.

III. Categories and Specific Routings

Each classification of traffic destined to each of the geographical sub-areas specified above shall for the purposes of this formula constitute a separate "category" or "category of traffic", and quotas for each such category shall be established as hereinafter provided.

Anything in this formula to the contrary notwithstanding, the Merged Company and each international carrier shall respect specific routings of any messages handled by it, and shall transfer to another carrier any messages specifically routed via such other carrier. All international messages delivered by the Merged Company shall carry in the preamble the agreed-upon via of the international carrier which transferred the message to the Merged Company. Messages shall be considered as specifically routed traffic if any of the following conditions are met:

(a) Messages which are filed at an office operated and maintained by an international carrier, whether filed in person, by messenger, by telephone, or received over a tieline or other directly connected facility terminating in such office, shall, unless specifically routed via a different carrier in a manner specified in clauses (i), (ii), (iii), or (iv) of (b) of this section, be considered as specifically routed via the carrier operating and maintaining such office;

Provided, however, That, except in the event Western Union International establishes branch offices of its own, all of the offices of the Merged Company located in the area 60th Street and south thereof in the Borough of Manhattan, New York; the office of the merged company located at the New York International Airport (Idlewild); the main office of the Merged Company in San Francisco, and one other office of the Merged Company located in the central business section of San Francisco in the general vicinity of the offices operated by A. C. & R. and RCAC, to be designated by Western Union International; and the main office of the Merged Company in Washington, D.C., shall be considered as offices of Western Union International within the purview of this section:

Provided, further, however, That, should A. C. & R. or RCAC open any additional office(s) in New York City other than in the area 60th Street and south in the Borough of Manhattan, in San Francisco, or in Washington, D.C., Western Union International may designate office(s) of the Merged Company in the general vicinity of such office(s) [opened by A. C. & R. or RCAC] to be considered as offices of Western Union International within the purview of this section, subject to the condition that the total number of offices of the Merged Company so designated by Western Union International in each such city shall not at any time exceed the number of offices opened by either A. C. & R. or RCAC in New York City, other than in the area 60th Street and south in the Borough of Manhattan, in San Francisco, or in Washington, D.C.

Provided, further, however, That should A. C. & R. or RCAC move an office in New York City, other than within the area 60th Street and south in the Borough of Manhattan, San Francisco, or Washington, D.C., then Western Union International may designate an office of the Merged Company in the general vicinity of the relocated A. C. & R. or RCAC office as an office of Western Union International within the purview of this section so long as the total number of offices so designated in such city or area thereof is not increased;

Provided, further, however, That out of the traffic filed at these offices which has not had a specific routing designated by the sender a sufficient amount shall be transferred by the Merged Company to Tropical and United States-Liberia to satisfy their respective gateway city quotas to the extent that such quotas have not been satisfied by traffic specifically routed via their respective facilities and by unrouted traffic filed elsewhere in such gateway cities;

(b) Messages which are originated by the Merged Company at all of its offices within the continental United States (other than the aforesaid gateway offices specified in (a) above), shall be considered specifically routed only

(i) if, when filed in person, the specific routing is written in by the sender,

(ii) if, when filed by messenger, the message contains a specific routing which had been previously inserted by the sender (messages shall not be considered specifically routed merely by virtue of the use of a particular carrier's telegraph blank),

(iii) if, when filed by telephone, a specific routing is inserted by the receiving clerk at the unsolicited request of the sender, or

(iv) if, when filed over a tieline or other directly connected facility, the specific routing had been transmitted by the sender.

But nothing herein shall be construed as requiring any international carrier to accept, over tieline facilities furnished by it for its customers, which handle no domestic traffic, messages which are routed by the sender via another international carrier. Specifically routed messages are hereinafter sometimes referred to as "routed" traffic.

IV. Quotas

A. For outbound messages destined to sub-areas of Area "A", originating in New York, San Francisco and Washington, D.C. - for each of said cities, there shall be for each category separate quotas for Western Union International, the A. C. & R. Group and U.S -Liberia, but there shall be no quotas for RCAC or for Press Wireless, Inc., each of which shall be entitled to receive from the Merged Company traffic specifically routed via RCAC or Press Wireless, Inc., as the case may be, but only such traffic. The quotas for Western Union International, the A. C & R. Group and the U.S. - Liberia shall be as follows: the quota for each for a particular category originating in the particular city shall be the ratio of the number of outbound messages in such category originating in such city handled by it (whether picked up directly by such international carrier or transferred to it by domestic landline carriers) during the year 1942 to the total number of outbound messages in such category originating in such city handled during the year 1942 by Western Union International, the A. C. & R. Group and U.S. and Liberia.

B. For outbound messages destined to sub-areas of Area "B", originating in New York, San Francisco and Washington, D.C. - for each of said cities, there shall be for each category separate quotas for Western Union International, the A. C. & R. Group and Tropical, but there shall be no quotas for RCAC or for Press Wireless, Inc., each of which shall be entitled to receive from the Merged Company traffic specifically routed via RCAC or Press Wireless, Inc., as the case may be, but only such traffic. The quotas for Western Union International, the A. C. & R. Group and Tropical shall be as follows: the quota for each for a particular category originating in the particular city shall be the ratio of the number of outbound messages in such category originating in such city handled by it (whether picked up directly by such international carrier or transferred to it by domestic landline carriers) during the year 1942 to the total number of outbound messages in such category originating in such city handled during the year 1942 by Western Union International, the A. C. & R. Group and Tropical.

C. For outbound messages destined to sub-areas of Area "C", originating in New York, San Francisco and Washington, D.C. - for each of said cities, there shall be for each category separate quotas for Commercial Pacific, the A. C. & R. Group and RCAC, but there shall be no quota for Press Wireless, Inc., which shall be entitled to receive from the Merged Company traffic specifically routed via Press Wireless, Inc., but only such traffic. The quotas for Commercial Pacific, the A. C. & R. Group and RCAC shall be as follows: the quota for each for a particular category originating in the particular city shall be the ratio of the number of outbound messages in such category originating in such city handled by it (whether picked up directly by such international carrier or transferred to it by domestic ndline companies) during the year 1942 to the total number of outbound ssages in such category originating in such city handled during the ar 1942 by Commercial Pacific, the A. C. & R. Group and RCAC.

D. For outbound messages destined to sub-areas of Areas "A", "B", "C", originating in the United States outside New York, San Francisco d Washington, D.C. - there shall be for each category separate quotas r all the international carriers interested in the particular category xcept Press Wireless, Inc., which shall be entitled to receive from the erged Company traffic specifically routed via Press Wireless, Inc., but nly such traffic. The quotas for the interested international carriers ntitled to quotas in a particular category shall be as follows: the quota or each for such category originating in such territory shall be the ratio f the number of outbound messages in such category originating in such erritory handled by it (whether picked up directly by such international arrier or transferred to it by domestic landline companies) during the ear 1942 to the total number of outbound messages in such category riginating in such territory handled during the year 1942 by all inter-ational carriers interested in such category, subject to adjustment, owever, with respect to the quotas of Western Union International and CAC to give full effect to the contract between them dated September 2, 1931.

I. Distribution of traffic in accordance with quotas

The quotas established pursuant to sections IV and VI hereof with espect to each category shall be applied by the Merged Company as ollows: all the outbound traffic (routed and unrouted) in such cate-gory handled by the Merged Company, except

(a) the traffic in such category distributed to an international carrier not entitled to a quota in such category but entitled to receive traffic in such category specifically routed via it, and

(b) any traffic in such category distributed as mentioned in paragraph (a) of I, above, to the Canadian companies referred to in said paragraph (if Appendix 1 hereto is approved by the Federal Communications Commission),

shall be distributed among the international carriers entitled to quotas in such category, in such proportions that each such international carrier shall receive, of the gross international tolls from the United States gateways to the foreign destinations on all messages in such category handled during the current period by such international carriers (including specifically routed messages and messages handled by the respective international carriers otherwise than through the Merged Company), a percentage equal to its quota for such category. The term "gross international tolls" is used in this formula (and in Schedule B hereto) to refer only to (i) the tolls payable to or collectible by an international carrier for the transmission of international traffic from point of exit from the United States to point of destination outside the United States just as if the actual origin of such traffic in the United States had been such point of exit but after deduction, in the case of any such traffic actually picked up at such point of exit, of the Merged Company's charge or of an equal amount if picked up otherwise than by the Merged Company, and (ii), in the case of outbound international traffic not covered by clause (i) above but transmitted by leased cable circuit, the rental income therefrom.

The distribution of traffic by the Merged Company among the international carriers entitled to quotas shall be made as follows:

(i) Specifically routed messages shall be transferred to the international carrier indicated by such routing; and

(ii) Unrouted messages in each category shall be distributed in the order of their arrival at the distribution office so that each international carrier entitled to a quota in such category will receive a volume of such unrouted messages which, together with other messages in such category handled by such carrier (including specifically routed messages and messages handled otherwise than through the Merged Company), will give it a percentage, equal to its quota in such category, of the gross international tolls on all messages in such category If the messages so distributed fail in any month to give to any international carrier its quota of gross international tolls from such category, the distribution of messages shall be modified as soon as is practicable after the ascertainment of such deficiency in such manner as to compensate for such deficiency and to assure to such carrier thereafter its quota of gross international tolls from such category of traffic. Each international carrier entitled to share in such distribution shall furnish to the joint distribution offices any information necessary to enable such distribution of unrouted messages to be effected in accordance with this formula.

In distributing unrouted traffic, the Merged Company shall preserve for each carrier and for each category, so far as practicable, the relative distribution by destinations (countries and cities) within the described sub-areas which prevailed during the base periods, and shall also make reasonable distribution by length of message. The Merged Company shall preserve for Tropical for each category, so far as practicable, its relative proportion of the traffic in such category originating in

New Orleans and destined to countries in Latin America described in Schedule A hereto which Tropical handled during the base period of 1942.

In each category of traffic destined to any sub-area of Areas "A", "B" or "C", if any international carrier entitled to a quota in such category would receive, from messages specifically routed via it and messages handled by it otherwise than through the Merged Company, a larger percentage than its quota, then the Merged Company shall, out of such carrier's quotas in other classes of traffic destined to the same sub-area transfer to the other international carriers interested therein sufficient messages to balance the excess received by the particular international carrier in the particular category.

The provisions of this section V are, with respect to Western Union International and RCAC, subject to the special agreement set forth in Schedule B hereto providing for the transfer to RCAC, out of quotas of Western Union International, of certain additional messages; and the Merged Company shall transfer such messages to RCAC in accordance with said special agreement.

Distribution offices

The Merged Company shall distribute traffic destined for transfer from a single distribution office in each city where traffic is to be transferred to an international carrier.

Each international carrier entitled to share in the distribution of messages from distribution offices of the Merged Company shall have access to such distribution offices at any time to protect its interests in the method of making such distribution and transfer of messages to its operating rooms.

Each such distribution office shall, for the duration of the present war emergency, be located at an office of the Merged Company where it will provide equal service to the international carriers involved, to the extent practicable without dislocation of existing facilities.

VI. Reestablishment of telegraph communication.

In the event that any international carrier shall reestablish telegraph communication (directly or indirectly) to any country in Areas "A" or "C" with which communication by such carrier has been interrupted, then:

A. For outbound messages destined to any such country in Area "A", originating in New York, San Francisco and Washington, D.C. - for said cities, collectively, there shall be for each category separate quotas for Western Union International and the A. C. & R. Group, but there shall be no quotas for RCAC or for Press Wireless, Inc., each of which shall be entitled to receive from the Merged Company traffic specifically routed via RCAC or Press Wireless, Inc., as the case may be, but only such traffic. The quotas for Western Union International and the A. C. & R. Group shall be as follows: the quota for each for a particular category destined to the country with which communications is reestablished shall be the ratio of the number of outbound messages in such category, originating in New York and destined to such country, handled by it (whether picked up directly by such international carrier or transferred to it by domestic landline carriers) during the last twelve months during which all international carriers concerned were normally handling traffic to such country, to the total number of outbound messages in such category, originating in New York and destined to such country, handled during said twelve months by Western Union International and the A. C. & R. Group.

B. For outbound messages destined to any such country in Area "A", originating outside New York, San Francisco and Washington, D.C. - for said territory there shall be for each category separate quotas for Western Union International, the A. C. & R. Group and RCAC, but there shall be no quota for Press Wireless, Inc., which shall be entitled to receive from the Merged Company traffic specifically routed via Press Wireless, Inc., but only such traffic. The quotas for Western Union International, the A. C. & R. Group and RCAC shall be as follows: the quota for each for a particular category destined to the country with which communication is reestablished shall be the ratio of the number of outbound messages in such category destined to such country (wherever originating in the United States) handled by it (whether picked up directly by such international carrier or transferred to it by domestic landline carriers) during the last twelve months during which all international carriers concerned were normally handling traffic to such country, to the total number of outbound messages in such category destined to such country (wherever originating in the United States) handled during said twelve months by Western Union International, the A. C. & R. Group and RCAC.

C. For outbound messages destined to any such country in Area "C", originating in New York, San Francisco and Washington, D. C. and originating outside said cities - for each of said cities and for the territory outside said cities, there shall be for each category separate quotas for Commercial Pacific, the A. C. & R. Group and RCAC, but there shall be no quota for Press Wireless, Inc., which shall be entitled to receive from the Merged Company traffic specifically routed via Press Wireless, Inc., but only such traffic. The quotas for Commercial Pacific, the A. C. & R. Group and RCAC shall be as follows: the quota for each for a particular category destined to the country with which communication is reestablished shall be the ratio of the number of outbound messages in such category destined to such country handled by it (whether picked up directly by such international carrier or transferred to it by domestic landline carriers) during the last twelve months during which all international carriers concerned were normally handling traffic to such country, to the total number of outbound messages in such category destined to such country handled during said twelve months by Commercial Pacific, the A. C. & R. Group and RCAC.

VII. Signs and advertising

In New York, San Francisco and Washington, D C., the Merged Company shall be free to carry in any of its offices signs or other matter advertising Western Union International, provided that it affords privileges to the A. C. & R. Group and Commercial Pacific to display at said offices, signs or other matter advertising said Group and Commercial Pacific; and said Group and Commercial Pacific shall afford similar privileges, at their offices in said cities, to Western Union International to display signs or other matter advertising Western Union International. The Merged Company's other offices (exclusive of railway offices operated by the railways, where Western Union International's signs are now being displayed) shall not carry signs or advertising matter of any kind for any of the international carriers (including Western Union International) unless it affords similar privileges to all the international carriers. Signs or other matter advertising a particular international carrier which are to be displayed as aforesaid at an office of another carrier shall be subject to the approval of such other carrier as to form; and the preparation and installation of any such signs and other advertisng matter shall be for the account and at the expense of the carrier which they advertise.

VIII. Postal facilities now used for international traffic

Wherever there are at present both Postal and Western Union tie-lines or tubes, or only Postal tie-lines or tubes, to a customer's office, the A. C. & R. Group and Commercial Pacific shall have the right to purchase from the Merged Company the Postal equipment and to lease the necessary facilities to connect the customer with the A. C. & R. Group or the Commercial Pacific operating rooms; or, if in any such case because of the customer's wishes or a shortage of equipment it seems preferable to have only one printer in the customer's office, a two-way switch shall be installed so that the customer may be connected at his option either to the Western Union International or the A. C. & R. Group or the Commercial Pacific operating rooms.

The A. C. & R. Group shall have the right to purchase from the Merged Company the Postal equipment and to lease the direct customers' circuits of Postal between Washington, D.C., and the A. C. & R. Group operating rooms in New York used for international traffic.

The A. C. & R. Group shall have the right to purchase the equipment and lease the space and facilities now supplied by Postal to the A. C. & R. Group at various produce exchanges and press offices in New York City.

Facilities leased as aforesaid from the Merged Company shall be leased at the applicable tariff rates. The purchase price of equipment purchased as aforesaid, and rentals for space leased as aforesaid, shall be at prices and rentals to be mutually agreed upon.

The Merged Company shall continue to operate the Miami end of the Miami-Havana cable of the A. C. & R. Group on the same basis and terms that Postal now operates it.

IX. Transit traffic

It is understood that this formula does not cover any telegraph traffic originating outside the United States and transiting the United States, and that all such traffic handled by the Merged Company shall be turned over to the international carrier which would have handled the same if the consolidation or merger of Western Union and Postal Telegraph, Inc., had not occurred or as it may be specifically routed.

X. Equality of treatment of international carriers and division of charges

Except as provided in section III of this formula with respect to message traffic originating in certain gateway offices of the Merged Company the services furnished by the merged company to the international carriers in connection with the handling of international traffic (both message and nonmessage or measured services and particularly interconnection such as the domestic Telex service of the merged company), covered by this formula shall be uniform and nondiscriminatory; and the division of charges for such outbound international traffic shall be such that the Merged Company shall retain or receive, for landline haul in connection with international traffic handled by it, or for pickup services, amounts which shall be as prescribed from time to time, by the Federal Communications Commission.

XI. Administration

The supervision of the operations of this formula shall be under a committee of representatives of each of the interested international carriers (the A. C. & R. Group not being considered a group for the purposes of this section), the staff of which committee may function at the distribution offices of the Merged Company, and the costs of which committee (including the cost of leasing space for said staff at such distribution offices) shall be equitably shared by said international carriers All costs involved in the maintenance by the Merged Company of distribution offices and in the distribution by it of traffic under this formula, including the cost of maintaining appropriate records as to the distribution, (but excluding the cost of any direct tie line or telephone facility maintained by Western Union International at any such distribution offices) shall be equitably shared by the international carriers and reimbursed by them to the Merged Company; and all costs of distribution of traffic beyond the distribution offices of the Merged Company shall be borne by the international carriers. In the event there is disagreement among the members of the committee with respect to any feature of the distribution of traffic under this formula, the disagreement shall be submitted to the interested carriers, including the Merged Company. In the event the carriers are unable to agree among themselves, the matter shall be submitted to the Federal Communications Commission for a ruling.

SCHEDULE A

Countries served by Tropical Radio and Telegraph Company through New Orleans as a gateway:

British Honduras
Guatemala
Honduras
El Salvador
Nicaragua
Costa Rica
Panama
Puerto Rico
Cuba

SCHEDULE B

Special Agreement between Western Union International and RCAC

Out of certain of Western Union International's quotas established pursuant to the foregoing formula, the Merged Company shall transfer to RCAC certain messages in accordance with this special agreement.

This special agreement constitutes an arbitrary compromise agreed upon by Western Union International and RCAC. In arriving at this compromise, Western Union International computed the United States domestic landline tolls paid by RCAC to Western Union during the base year of 1942 on incoming international traffic from Areas "A" and "B", as compared with the international tolls which would have been retained by Western Union International on outgoing international traffic to said Areas which was actually transferred by Western Union to RCAC during said year; and Western Union then estimated the number of additional outbound messages that would have been required to be transferred to RCAC during said year to bring the figures into approximate balance. RCAC, on the other hand, estimated the number of additional messages which would have been required to give weight to the combination of inbound and outbound traffic handled by RCAC and Western Union International. Approximately the same figures for additional messages were arrived at by the two methods, and the figure of 111,200 was agreed upon.

With a view to the preservation of existing cable routes and the greater use of direct circuits where available, it is agreed by Western Union International and RCAC that, while the aforesaid figure of 111,200 messages was arrived at as aforesaid, the transfers of messages from Western Union International to RCAC pursuant to this special agreement shall be limited to messages destined to Continental Europe and Beyond the Continent including Greenland and Iceland (but excluding Liberia), sub-areas of Area "A". It is further agreed that the messages transferred shall be in classes other than press, government and fixed text.

Said figure of 111,200 is 60.5% of the total number of outbound messages (other than press, government and fixed text) originating in the United States and destined to said sub-areas of Area "A", handled by Western Union International during the year 1942.

During the operation of this formula, the Merged Company shall, out of Western Union International's quotas of messages (wherever originating) destined to said sub-areas of Area "A" (exclusive of any quotas of messages established pursuant to section VI of the foregoing formula, to which quotas this special agreement shall have no application whatsoever), transfer to RCAC messages (other than press, government and fixed text) to the extent necessary to cause RCAC to receive 60.5% of the gross international tolls on the messages (other than press, government and fixed text) in Western Union International's said quotas.

It is understood, however, that:

(a) The messages so to be transferred to RCAC shall not, if otherwise available, include messages destined to Russia or Egypt. It is understood, depending upon the availability of traffic for the purpose, that approximately 30% of the messages so transferred to RCAC shall be distributed to countries in Continental Europe and approximately 70% to countries Beyond the Continent including Greenland and Iceland (but excluding Liberia); but variations in the initial proposed distributions may subsequently be made from time to time to meet changing conditions. (Russia and Egypt are countries in said sub-areas of Area "A" where both RCAC and Mackay Radio and Telegraph Company (Delaware) presently have competitive radio circuits, and it is understood that the exclusion of these countries shall not be construed as an assumption that there will or will not be additional competitive radio circuits or that the existing competitive radio circuits will or will not be continued in operation.)

(b) All messages so to be transferred to RCAC shall be messages originating outside the cities of New York, San Francisco and Washington, D.C., unless there shall not be available in Western Union International's quotas a sufficient number of such messages for the purpose, in which event sufficient messages originating in said cities to make up the deficit shall be transferred out of Western Union International's quotas.

SCHEDULE C

Division of Outbound Charges

The landline or pickup charges shown in the table below opposite each service classification under the caption "Divisions per Word," and the number shown in the table below opposite each service classification under the caption "Minimum Number Chargeable Words per Message," shall be respectively, the charges per word (cable count), and the fewest number of words (cable count) per message which are to be charged by the merged company for handling outbound international message traffic in each classification handled by it regardless of the point of origin in the United States or the point of transfer to an international carrier in the United States or to a Canadian carrier: Provided, however, That the merged company shall continue to pay to the Canadian carriers the same amounts per word which were being paid on July 1, 1958, with respect to that traffic exchanged with Canadian carriers pursuant to appendix I hereof which is destined to those points which are subject to the Telecommunications Agreement Between The United States of America and British Commonwealth Governments (TIAS 2705, 1952): And Provided further, That after the effective date of this amendment (August 1, 1958), the Merged Company shall not in any month transfer to any such Canadian carriers a larger percentage of any traffic to any subarea of destination than the percentage of such traffic turned over to any such Canadian carriers during 1957. If in any month it does in fact make such excessive transfer with respect to such traffic, the merged company shall in the next succeeding months refrain from making any transfers to either of the Canadian carriers until it has transferred sufficient traffic to other carriers to restore the balance herein required with respect to such traffic.

Service Classification	Minimum number chargeable words per message	Divisions per word (Cents)
Full rate	5	5.5
Letter telegram	22	2.75
U.S. Government full rate (no discount)	5	5.5
U.S. Government rate (at discount)*	5	2.75
U.S. Government letter telegram	22	2.75
Other Government full rate (no discount)	5	5.5
Other Government full rate (at discount)*	5	2.75
Other Government letter telegram	22	2.75

Service Classification	Minimum number chargeable words per message	Divisions per word (Cents)
United Nations full rate (no discount)	5	5.5
United Nations full rate (at discount)*	5	2.75
United Nations letter telegram	22	2.75
Meteorological	5	2.75
Urgent press	10	5.5
Ordinary press	10	1.7
Deferred press	10	1.7
Victory letter telegram	10	2.75
Expeditionary Force messages	-	.25**

* The "At discount" division shall apply if a discount of 50 percent applies to the through rates. As soon as the discount is eliminated, with respect to any point, the charges applicable to "No discount" traffic shall automatically apply.

** Per message.

APPENDIX I

Supplement to Foregoing Formula, Providing for the Distribution by the Merged Company of Traffic to Canadian Carriers

This supplement shall be effective simultaneously with the effectiveness of the foregoing formula.

I. Canadian National Railway Company (and other companies comprised in the Canadian National Railway System), all said companies being hereinafter collectively referred to as "Canadian National"

There shall be no quota for Canadian National for any category of traffic. Canadian National shall, however, be entitled to receive from the Merged Company its proportion of routed traffic (i.e. messages on which the sender indicates the route to be used is a cable roure involving transit through Canada) originating in the United States and destined to Areas "A", "B" or "C", as may be determined by agreement between Canadian National, the Merged Company and Canadian Pacific, based on past performance in respect of each such Area during a representative test period or periods, but only such traffic.

II. Canadian Pacific Railway Company, herein referred to as "Canadian Pacific"

Canadian Pacific shall be entitled to receive from the Merged Company its proportion of the aforementioned routed traffic originating in the United States and destined to Areas "A", "B" or "C" as may be determined by agreement as provided in the preceding paragraph, based on past performance in each such Area during a representative test period or periods.

There shall be no quota for Canadian Pacific for any category of traffic destined to Area "A".

For outbound messages destined to sub-areas of Areas "B" or "C", wherever originating in the United States, the Canadian Pacific shall have a separate quota for each category. The quota for a particular category shall be the ratio of the number of outbound messages in such category transferred by the Postal Telegraph Landline System to it during the year 1942 to the total number of outbound messages in such category transferred by Western Union and by the Postal Telegraph Landline System during the year 1942 to all international carriers, including Western Union International.

The quota so established with respect to each category shall be applied by the Merged Company as follows: Canadian Pacific shall receive from the Merged Company a volume of unrouted messages in such category which, together with any routed messages in such category received by it from the Merged Company as hereinabove provided, will give it a percentage, equal to its quota in such category, of the total outgoing international messages in such category handled by the Merged Company.

The charges for international traffic covered by this supplement shall be divided (a) between the Merged Company and Canadian National pursuant to the provisions of the agreement of January 1, 1915, now in effect between The Western Union Telegraph Company and Canadian Northern Telegraph Company, etc., and (b) between the Merged Company and Canadian Pacific pursuant to the provisions of the agreement of October 1, 1933, as amended by the agreement of August 1, 1936, now in effect between Postal Telegraph-Cable Company and Canadian Pacific.

If and when this supplement becomes effective as stated above, the provisions hereof, to the extent that the same may conflict with the provisions of any presently existing contracts which Canadian National or Canadian Pacific have with Western Union or with any of the companies comprising the Postal Telegraph Landline System or with any American international carrier, shall control.

Note:

RCAC does not approve the principle involved in section II of this Appendix insofar as it relates to unrouted traffic.

The A. C. & R. Group takes no exception to this Appendix, but if the Federal Communications Commission should disapprove section II insofar as it relates to unrouted traffic the A. C. & R. Group takes the position that the unrouted traffic transferred by the Postal Telegraph Landline System to Canadian Pacific during the year 1942 should be considered as though handled by the A. C. & R. Group, for the purpose of computing the quotas of said Group pursuant to sections IV and VI of the foregoing formula.

APPENDIX 2

Formula for the Distribution by the Merged Company of Marine (Shore to Ship) Traffic

1. The mobile service carriers, Radiomarine Corporation of America (hereinafter called the "RMCA"), Tropical Radio Telegraph Company (hereinafter called "Tropical") and the Mackay Radio and Telegraph Companies (of Delaware and California, respectively, hereinafter referred to collectively as "Mackay"), shall have for each class of service basic quotas for the division of all outbound mobile service traffic originating with or handled by the Merged Company. The basic quota for each class of service shall be the ratio of the total number of inbound and outbound messages in all classes handled by it during the year 1938 to the total number of inbound and outbound messages in all classes handled during the year 1938 by all said carriers (excluding meteorological traffic in both cases).

2. The basic quota of each mobile service carrier for any class of service, established as set forth in clause 1, shall be modified after six months' operation under said basic quota and ~~every~~ six months-thereafter as follows: if such carrier's percentage of inbound messages in such class turned over to the Merged Company shall be increased over or decreased under its percentage of total inbound messages in such class (including those delivered directly) during the 1938 base period, one-half of such increa or decrease shall be added to or subtracted from such carrier's quota for such class of service to determine the division of outbound traffic by the Merged Company during the succeeding six months' period (and thereafter until further adjustment pursuant to this clause 2). This clause 2 shall not take effect until all three of said mobile service carriers shall have re-established their commercial marine communications business.

3. Mobile service messages delivered to the mobile service carriers directly by the public, and such messages delivered by the public to R. C. A. Communications, Inc. for RMCA, and such messages delivered by the public to All America Cables and Radio, Inc., The Commercial Cable Company or Commercial Pacific Cable Company for Mackay, shall be distributed to the particular mobile service carrier and shall not be included in the mobile service traffic originating with or handled by the Merged Company which is to be divided by the Merged Company among the mobile service carriers in accordance with their quotas hereunder.

4. In making division of mobile service traffic among the mobile service carriers in accordance with their quotas, the Merged Company shall transfer specifically routed messages to the carrier indicated by such routing, and shall divide unrouted messages in each class of service so

that each carrier will receive a volume of such unrouted messages in such class which, together with specifically routed messages received by it in such class from the Merged Company (excluding those mentioned in clause 3 above), will give it its quota in such class.

5. Any mobile service carrier, other than RMCA, Mackay and Tropical, which operated coastal stations during 1938 and which is not now rendering service and which shall notify the Merged Company of its re-entry into the field, shall upon its re-entry into the field obtain a basic quota for each class of service, and the quotas of the other mobile service carriers at the time rendering service shall be modified, as follows: such carrier re-entering into the field shall obtain a basic quota for each class of service which shall be the ratio of the number of inbound and outbound messages in such class handled by it during the year 1938 to the total number of inbound and outbound messages in such class handled during the year 1938 by such carrier and by RMCA, Mackay and Tropical. After clause 2 shall have become operative, the quotas due a carrier subsequently re-entering the field shall be readjusted in accordance with the provisions thereof. Upon the re-entrance of said former carrier, the quotas of the then active carriers shall be appropriately adjusted to take account of the quota obtained by the carrier re-entering the field.

6. The mobile service carriers shall currently furnish to the Merged Company any information necessary to enable division of outbound mobile service traffic to be effected in accordance with this formula. All costs involved in the maintenance by the Merged Company of appropriate records as to the distribution by it of mobile service traffic under this formula shall be equitably shared by the mobile service carriers and reimbursed by them to the Merged Company.

7. The services furnished by the Merged Company to the mobile service carriers in connection with the handling of mobile service traffic covered by this formula shall be uniform and non-discriminatory; and the division of charges for such mobile service traffic shall be such that the Merged Company shall retain or receive, for landline haul in connection with the traffic handled by it, or for pick-up services, amounts which, regardless of the provisions of any existing agreement between any mobile service carrier and Western Union or companies comprising the Postal Telegraph Landline System, shall be in accordance with the tariffs of Western Union for such traffic from time to time on file with the Federal Communications Commission. No Western Union tariffs for such traffic presently on file with the Commission show such division of charges, and it is understood that, in view of the fact that mobile service communication has been interrupted and such service is not now being rendered, Western Union tariffs for such traffic showing such division of charges are not now being filed.

It is further understood, however, that when such tariffs are filed, division of charges provided for will be such that the Merged Company' landline or pick-up charge will vary from 3¢ to 11¢ (assuming that la line rates then in effect are substantially the same as at present) p word (for Full Rate and Cde, with usual percentage reductions for ot classes of service), depending upon the point of origin of the messag relation to the point of transfer to the mobile service carrier, and for each point of transfer to mobile service carriers either (a) zone ll be established such as are set forth in certain of the subdivisions o Schedule C of the formula to which this is an appendix and the charge l vary from zone to zone from the aforesaid minimum to the aforesaid ma mum, or (b) a different method of grouping states will be establishe ith the charge again varying from said minimum to said maximum, all as ma be agreed upon by the interested mobile service carriers with the Mer Company and approved by the Commission, or as may be prescribed by th Commission.

8. In the event that the Merged Company shall have any question with respect to any feature of the distribution of traffic under this formula, such question shall be submitted to the interested carriers and in the event they are unable to agree among themselves and advise the Merged Company, the Merged Company shall be entitled to submit the question to the Federal Communications Commission for a ruling and shall be entitled to rely upon the ruling of said Commission.

9. If and when this formula becomes effective, the provisions hereof, to the extent that the same may conflict with the provisions of any presently existing contracts which any of the mobile service carriers have with Western Union or with any of the companies comprising the Postal Telegraph Landline System, shall control.

APPENDIX 3

Supplement to Foregoing Formula, Providing for the Distrib
by the Merged Company of Traffic to Newfoundland

This supplement shall be effective [illegible] -ness of the foregoing formula.

For the purposes of this supplement: the term "Commercial" refer to The Commercial Cable Company; and each classification of traffic dc ined to Newfoundland shall constitute a separate "category" or "category of traffic", and quotas for each such category shall be established as he inafter provided.

For outbound messages destined to Newfoundland, wherever originat g in the United States, Western Union International and Commercial shall each have a separate quota for each category. The quota for each for particular category shall be the ratio of the number of outbound mess s in such category handled by it (whether picked up directly by such in national carrier or transferred to it by domestic landline carriers) during the first six months of 1943 to the total number of outbound m ges in such category handled during the first six months of 1943 by Wester Union International and Commercial.

The quotas so established with respect to each category shall be applied by the Merged Company to all the outbound traffic (routed and unrouted) in such category handled by it, and the distribution of such traffic by the Merged Company between Western Union International and n- mercial shall be made, all in like manner as is specified in section V f the foregoing formula with respect to the distribution in accordance w said formula of traffic destined to any sub-area of Areas "A" or "B"; the provisions of said section V with respect to distribution offices the Merged Company and of section IX with respect to transit traffic, all be applicable to this supplement with like effect as though set fc herein.

The services rendered by the Merged Company to the international carriers in connection with the handling of traffic to Newfoundland co ed by this formula shall be uniform and non-discriminatory; and the divis of charges for such traffic shall be such that the Merged Company shal e- tain or receive, for landline haul in connection with such traffic han ed by it, or for pick-up or delivery services, from or to point of origin in the United States to or from point of transfer in New York City, am ts which shall be in accordance with the tariffs of Western Union on file r domestic landline services, regardless of the provisions of any existi agreement between Commercial and any of the companies comprising the l al Telegraph Landline System.

FCC 76-882
42387

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
International Record Carriers') Docket No. 19660
Scope of Operations in the Con-) RM-690
tinental United States Including)
Possible Revisions to the Formula)
Prescribed Pursuant to Section 222)
of the Communications Act.)

MEMORANDUM OPINION AND ORDER

Adopted: September 23, 1976; Released: September 27, 1976

By the Commission:

1. On January 7, 1976, we issued a Report and Order and Notice of Proposed Rulemaking in the above-captioned matter, 57 FCC 2d 190. In that Report and Order we found that the formula governing distribution by the Western Union Telegraph Co. (WU) among the international record carriers (IRCs) of outbound unrouted international message telegraph traffic (international formula) which we had prescribed in 1943 pursuant to 47 U.S.C. § 222(e)(1) (1971), is unjust, unreasonable, inequitable and not in the public interest. We also instituted an inquiry into the legal, economic and operational implications of placing distribution of such traffic on the basis of required customer-routings. Pending the outcome of the above inquiry, we prescribed an interim distribution of outbound traffic (interim formula) to become effective upon repeal of the original international formula on March 1, 1976. The effective date was subsequently stayed by the Commission pending resolution of the petitions discussed below. International Record Carriers, 58 FCC 2d 266 (1976).

2. The Commission now has before it for consideration the following petitions and motions, pertaining to the January Report and Order:

(a) A Petition for Stay filed by RCA Global Communications, Inc., (RCA) on February 11, 1976 seeking a stay pending review of our Report and Order in the Court of Appeals;

(b) A Petition for Reconsideration filed by Western Union International, Inc. (WUI) on February 11, 1976, seeking, *inter alia*, postponement of the effective date of the interim formula until January 1, 1977;

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(c) A Motion for Extension filed by WU on February 19, 1976 seeking extension until March 21, 1976 of the date for implementing the interim formula in which WU states that it needs the extra time to complete modifications of its facilities and the augmenting and training of its personnel necessary to implement the interim formula; 1/ and

(d) A Contingent Motion for Clarification filed by WU on March 5, 1976 requesting clarification of our March 5, 1976 Stay Order to make explicit that WU is to be reimbursed by the IRCs for any increased expense it incurs during the pendency of the stay in proparing for implementation of the interim formula.

I. RCA PETITION FOR STAY

3. RCA generally challenges the lawfulness of the January Report and Order and attempts to demonstrate that a stay of that order is justified under the standards set forth in Virginia Petroleum Jobbers Association v. Federal Power Commission, 259 F.2d 921 (D.C. Cir. 1958). We do not believe that RCA has sustained its burden in this regard.

4. RCA contends that the procedures followed by the Commission were defective in that they did not provide it a "full hearing" as required by Section 222(e)(3) of the Communications Act. It argues that the Commission was required under the statute to conduct an oral evidentiary hearing (commonly referred to as a "trial-type" hearing) as a condition precedent to any alteration of the formula. Alternatively, RCA suggests that, even if not absolutely required by the statutory language, an oral hearing was required by the circumstances of the present case and that our failure to convene a hearing was therefore an abuse of discretion. We do not agree with either of RCA's arguments and conclude that our prodecures both meet the requirements of the statute and adequately protect RCA's procedural rights.

5. The characteristics of the international formula, general applicability and future effect, demonstrate that it is in form and fact a "rule," within the meaning of the Administrative Procedure Act (APA), 5 U.S.C. Section 551(4) (1970). Accordingly, any proceeding to amend or alter it is a "rulemaking" (as contrasted to an adjudication) within the meaning of Section 551(5) of the APA. Section 553 of the APA, setting forth the standards for rulemaking, does not absolutely require a trial-

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1/ In view of our action herein, this request has become moot. Accordingly, we will dismiss the WU petition.

type hearing. Instead it provides for a notice and comment procedure of the form employed in this proceeding. Section 553 requires trial-type proceedings only where the operative statute requires rules to be made "on the record after opportunity for an agency hearing." 5 U.S.C. § 553 (c). The "full hearing" requirement of § 222(e)(3) is not the equivalent of the APA requirement regarding a decision "on the record." See United States v. Allegheny Ludlum Steel Co., 406 U.S. 742 (1972). RCA relies on United States v. Storer Broadcasting Co., 351 U.S. 192 (1956), for the proposition that a "full hearing" under the Communications Act has been judicially defined to mean trial-type hearing. However, that case dealt specifically with applications under Section 309 of the Act for broadcast licenses, contests of which Congress has defined to be "adjudication." See 5 U.S.C. § 558(c). Moreover, even in Storer the Supreme Court upheld the FCC's reliance on rulemaking proceedings rather than individual adjudicatory hearings. See also, Bell Telephone Company of Pennsylvania v. FCC, 503 F.2d 1250, (3rd Cir. 1974), cert. denied, 422 U.S. 1026 (1975). The new rule was adopted after soliciting the views of all interested parties and after all parties had full opportunity to present their own arguments, counterarguments and recommendations. The procedures followed were, thus, in full compliance with the requirements of Section 222 and the APA.

6. RCA also alleges that we have placed a simplistic reliance on competition as the benchmark of the public interest and that this runs afoul of the principle announced in FCC v. RCA Communications, Inc., 346 U.S. 86 (1953) and reiterated in Hawaiian Telephone Company v. FCC, 498 F.2d 771 (D.C. Cir. 1974). While we realized that increased competition would likely result, our action was not based solely on the hope of increasing competition; nor did we simply equate increased competition with benefit to the public interest. We note that, quite apart from any action on our part, competition is a fact of the history of the international record industry and predates the organization of this Commission. Our Report and Order, therefore, merely recognizes, as it reasonably must, that such competition exists. Our decision did not increase the facilities or service points of any carrier; but merely removed the arbitrary penalty placed upon the carriers by which their efforts to obtain traffic are nullified by an equivalent loss of unrouted traffic.

7. The error identified in the RCA and Hawaiian Telephone cases is increasing competition on the basis of an undifferentiated national policy in favor of competition, without considering the derirability or feasibility of such increased competition in a particular case. See Pocket Phone Broadcast Service, Inc. v. FCC, D.C. Cir. No. 74-2041 (decided July 16, 1976). The public's interest in the formula matter is its general interest in having available to it a rapid, efficient communications service with adequate facilities at reasonable charges. See 47 U.S.C. § 151. Our report and Order merely observed that in our experience competition has been an effective way to achieve those ends

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and that, absent compelling circumstances such as those in 1943, we see no reason to penalize competition which already exists. We did not, nor were we required to, find that service is presently inadequate. FCC v. RCA, 346 U.S. at 96-7. We do not agree, however, that the original formula has aided in achieving that result. Our experience convinces us that maintenance of the present service quality and its improvement is more likely where the carriers are required to earn the traffic they receive than where they receive it arbitrarily under a fixed quota. RCA has not shown anything which suggests that this view is incorrect under the present circumstances.

8. We do not agree, as RCA implies, that the original formula was designed to eliminate competition among the IRCs. As we view the legislative history, the Section 222(e) requirement for a formula was enacted to protect the competitive positions of the IRCs in the face of WU's post-merger dual capacity as domestic monopolist and international competitor. This fact is also evident from the text of the formula as well as our order prescribing it. See 10 FCC 184 (1943). Were the intent of the original formula to eliminate competition, it would have been much simpler to ignore customer routings altogether and to prescribe a fixed quota share for each carrier. The complicated structure of the formula, particularly the provision assuring carriers of all traffic specifically routed via their facilities, can only be explained as an attempt to allow the carriers to develop, while eliminating WU's discretion in choosing who was to receive traffic. In this respect, the original formula was definitely a pro-competition tool. The features of the formula we found objectionably anti-competitive (the fixed quotas and the balancing provisions) were necessary in 1943 as the most reasonable way to protect the IRC's against WU abuses. 2/ Our January Report and Order found that WU's divestment of its international operations had removed the need for those features and that traffic distribution could be made on a more dynamic basis. Our interim formula retains those aspects of the original formula which we believe remain sound and desirable under present conditions.

9. The interim formula also preserves elements of the 1943 formula in the use of routed traffic shares to determine the distribution of unrouted traffic. Reduced to its essentials, the original formula is a system of proportionate distribution. The concept of proportionate distribution is sound and equitable and one that will best assure the public a strong and dynamic international telegraph industry. 3/

2/ Our Order prescribing the original formula also adverts to the possibility of revision of the formula to reflect changes in operations. See 10 FCC at 192, 196.

3/ RCA apparently agrees that proportionate distribution is an acceptable basis for distribution of traffic under the 1943 formula since it was a party to its creation and supported its adoption when presented to the Commission for review.

We recognize that proportionate distribution is not the only way to distribute unrouted traffic, but it appears to us the most reasonable basis for distributing traffic because it relies on the experience in the market place rather than the arbitrary judgment of this Commission. Proportionate distribution, coupled with the interim formula's requirement for frequent updating of the carriers' quotas, allows the distribution to reflect, relatively immediately, changes in the market place and rewards carriers with additional unrouted traffic when they succeed in persuading more customers to route messages via a specific carrier.

10. Moreover, we find little merit to RCA's allegations that the Order is deficient because it fails to state how it benefits the public interest to relate a carrier's share of unrouted traffic to its share of routed traffic. To the contrary, we explicitly stated that the purpose of revising the distribution formula was to minimize any disincentives to carrier-initiated improvements in quality of service and to maximize the possibility of future benefits in this regard. 57 FCC 2d at 202. Having found that the original formula provided no incentives for the IRC's to improve service or increase efficiency, our obligations under the mandate of 47 U.S.C. § 151 dictated that we adopt a formula which does provide such stimuli. 57 FCC 2d at 208.

11. We disagree with RCA's argument that our Report and Order is deficient because we failed to consider the effect on RCA of a change in the original formula. While we designated as issues in the present inquiry the effect on the carriers and the public of the original formula and of party recommendations for formula revision, we do not believe that our Report and Order or the interim formula is unlawful because we did not include a detailed quantitative analysis. We do not believe that Section 222(e)(3) requires a precise and comprehensive quantitative analysis of potential revenue effects -- if in fact such an analysis is possible -- or that it would be any more helpful than the information we had available to us and considered in prescribing the interim formula. As is apparent from the statutory language, the thrust of Section 222(e)(1) is a requirement to devise a means of distributing traffic which does not favor or prejudice any carrier. The same holds true for a proceeding under Section 222(e)(3) to review and amend the existing distribution. The primary question here, in addition to whether it serves the public interest, is to assure that the distribution of unrouted traffic be just, reasonable and equitable, and that if it appears to us that it is not, our obligation is to replace it with one that is equitable. No carrier has an absolute claim to unrouted traffic under the 1943 formula. The only claim a carrier has is that created by the formula. Therefore, once we determine that a method of distribution is unjust and devise a new method which meets the statutory standards, the possibility that a carrier will thereafter lose traffic it formerly received is inherent to the statutory command that unrouted traffic be equitably distributed. It must be remembered that any claim of diversion of traffic under a new distribution is a two-edged sword. It is not only a measure of the cost to one set of interests of a change, it also is a measure of the damage to other

interests occasioned by the prior pattern of distribution. Thus, RCA's claim of harm from the interim formula equally catalogues the impact on ITT, TRT and FTC from the original formula.

12. We are not saying by this that the potential effect of a change in distribution is not an important consideration, or that we ignored it in devising the interim formula. This consideration is inherent in our overall duty to regulate in the public interest. The public's interest in the formula matter is its general interest in a rapid, efficient communications service with adequate facilities and reasonable charges. See 47 U.S.C. § 151. Therefore, the impact of the interim formula must be examined in the context of its effect on that interest. In considering this impact, we must balance the benefits which we see from the new distribution against possible harm to the public. See, e.g., F.P.C. v. Hope Natural Gas Company, 320 U.S., 591 (1944). In the present matter, this translates to a consideration of whether the redistribution of traffic will unreasonably endanger the financial integrity of the carriers to the point that they are unable to adequately serve the public. We do not see such an impact resulting from the interim formula. With respect to ITT, TRT and FTC, the interim formula will likely result initially in their receiving increased unrouted traffic and increased revenues. We would expect this to improve their financial position and would therefore be unlikely to harm their ability to provide service to the public.4/ With respect to RCA and WUI, the interim formula does appear likely initially to reduce their message volumes and revenues. Even here, though, we do not see any possible public harm.

13. RCA argues that it will suffer a reduction in gross operating revenues of $2,028,000 annually if the interim formula is implemented. 5/ Although we believe that any measure of potential revenue shift is speculative, for present purposes we will accept RCA's estimate. In 1975, RCA reported total operating revenues from all services of $129,831,489 and a net income of $32,071,720. The diversion of revenues projected by RCA is roughly 1.5% of its operating revenues and 6.3% of its net income. Although the loss of these revenues would obviously reduce its profitability for the year, it would not so reduce RCA's revenues as to put it into a loss situation or otherwise damage its ability to serve

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4/ We do not expect that increased demand will render these carriers' facilities inadequate. Message service requires relatively few transmission facilities, primarily telegraph-grade circuits which are readily available and low in cost. We therefore expect that these carriers would be able to supplement their present facilities easily and at little cost should that become necessary.

5/ $428,000 from outbound traffic and $1,600,000 from inbound traffic.

the public even in the short run. It should also be emphasized that this is a worst-case assumption and is predicated upon RCA's not making efforts to acquire lost traffic through increasing its routed traffic. It also assumes that 100% of RCA's costs involving the diverted traffic are fixed. However, we have no basis on which to so assume.

14. We find no merit to RCA's arguments that the interim formula is unduly complex, making it excessively expensive or difficult to administer, or that it will lead to a degradation in service quality. First, the interim formula is certainly less complex than the original formula, which RCA does not find objectionably complicated. While we sought to continue in the interim formula the original formula's concept of proportionate distribution, we eliminated as many of its ancillary complexities as possible. For example, we eliminated the separate quotas for each class of message and for the gateways and hinterlands. What RCA appears to object to is the fact that we replaced the original formula's area quota system with a quota for each destination. The use of individual destination quotas, however, relates distribution of unrouted traffic to the realities of the market. Second, we disagree that the interim formula will be unduly expensive to administer. The interim formula will require WU, at least initially, to handle more unrouted messages manually than it now does, and could, therefore, increase its costs per message. However, this is merely a question of degree, since WU presently handles many messages manually. The minimal economies that may be lost initially are outweighed by the deleterious effects on the carriers and the public of denying carriers incentive to seek more routed traffic. However, in fulfilling our public interest responsibilities, we will monitor WU's performance and will investigate any complaint that WU is not exercising prudent judgment in this area.

15. We are similarly unpersuaded by RCA's arguments that the interim formula will lead to an unreasonable degradation of service quality. RCA again bases its arguments on the fact that the interim formula will require manual handling for more unrouted messages. WU estimates that manual handling of messages will require an average of 20 minutes per message. Because many of these messages are presently switched directly from the WU computer to the IRCs, RCA argues that this represents a severe degradation in service quality. We note that substantial numbers of messages are already processed manually at the Minneapolis facility -- i.e., the messages for those destinations where the existing formula still calls for proportionate distribution. RCA does not object to the time required to process those messages. WU has asserted that the procedures it has proposed are designed to maintain existing service standards at Minneapolis despite the increased load and we see no reason presently to challenge WU's projections. When viewed in the overall context of the overseas message service, we are not persuaded that manual processing is unreasonable or that a 20-minute processing time for unrouted messages is inefficient. We note, however, that WU is proceeding with its efforts to automate the entire message-handling procedure and that it anticipates it will be ready to operate in this mode by the end of 1976.

However, we see no reason to delay further the benefits to the public we see in the interim formula merely because WU initially must use manual procedures.

16. RCA alleges that the interim formula will result in disastrously expensive solicitation efforts to increase IRC shares of routed traffic -- "leading to millions (of dollars) in new costs." Nothing in our Report and Order indicates our desire for such a result; we merely indicated there that we expected the carriers to strive, as they have not in the past, to reach a substantial segment of the public and persuade them to route their messages. 6/ We do not construe this as a directive to engage in wasteful orgies of spending. Irrespective of the interim formula, it is a fact of business life in a competitive environment that the carriers must advertise if they are to make the public aware of its alternatives. The IRCs presently engage in a continuing program of advertising all their services. Therefore, any increase in carrier solicitation efforts resulting from our action will fit within the context of their present practices and is unlikely to create a problem. RCA is unrealistic in suggesting that the IRCs will engage in suicidal advertising campaigns. Rather, we expect that the IRCs will apply the same type of business judgment in this matter as they do in other aspects of their business. In any event, we are required to grant the IRCs a certain latitude in their business judgments, including the amounts they choose to spend. RCA has failed to demonstrate any reason for us to conclude that the IRCs will act imprudently.

17. We also disagree with RCA's allegations that uncertainty as to the time the interim formula will be in effect will lead to inefficiencies on the part of the carriers. What RCA must be arguing is that our designation of the formula as an interim solution will make the carriers uncertain as to the planning of new facilities. We note that RCA itself has argued that message service is relatively static; therefore, the carriers' facility needs for the service will not change rapidly or frequently. Further, the carriers do not generally produce or lease telegraph-grade circuits such as used in the message service. Rather, they usually derive those channels by multiplexing voice-grade channels into 22 (cable) or 24 (satellite) telegraph-grade channels. For most service points, one such channel is all that is needed to provide message service. The fact is that a decision to augment facilities is made on the basis of the carriers' needs for circuits in connection with telex and leased-channel services which are more dynamic. In any event, the redistribution of traffic under the interim formula does not appear to us likely to result in major changes in the carriers' facility requirements. A change to the all-routed approach should not result in any great shift either, since the pattern of distribution should closely

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6/ Report and Order, paragraph 47.

resemble that under the interim formula. The changes in carrier handling of traffic under either method of distribution will occur in response to the normal forces in a competitive market which historically have been evolutionary rather than precipitate.

18. RCA has failed to make a strong showing that it will be irreparably injured if we deny it the requested stay. RCA alleges in this connection that if the interim formula becomes effective it will lose unrouted traffic it presently receives under the existing formula. We do not find this to be the kind of injury which would justify issuance of a stay. The diversion of traffic likely under the interim formula does not appear likely to threaten the viability of RCA's message operations. It will continue to operate under the interim formula and to receive traffic. It will be in the same position as the other carriers to seek to increase its share of routed and, derivatively, unrouted traffic. If, after completion of its review the appellate court should reverse our decision, RCA will be able to reacquire the traffic it lost. We are not faced with a situation where RCA would lose customers to another IRC who might develop business relations with that other carrier and not desire to change back to RCA. RCA will receive at all times all traffic routed via it. Customers filing unrouted traffic are not aware which IRC handles their traffic and so will not be aware of any change. In the event of a reversal, RCA will thus be in a position to resume operations under the present formula without any substantial change in its position. The mere fact that it will not receive an unspecifiable amount of revenues during the intervening period is not sufficient to establish irreparable harm. RCA's unsubstantial claims of harm must be weighed against the harm to other carriers and the public if the interim formula does not become effective. In view of RCA's failure to make a strong showing that it is likely to prevail on the merits, its showing is insufficient to delay the benefits to the public that we see emanating from the interim formula.

19. RCA has also failed to show that issuance of a stay will not result in substantial harm to other parties or the public. The only argument RCA offered on the question of the effect of a stay on the other parties is to assert that a stay will merely continue in effect a pattern of distribution under which the carriers have operated, generally profitably, for more than 30 years. We are not persuaded by its reasoning. RCA appears to be arguing that the other carriers will not be harmed by a stay since it will maintain the status quo and will not cause them to change their position. However, in the present matter it is precisely the present pattern of distribution we have found to be unreasonable and inequitable. Therefore, a stay would continue for an indefinite period the inequities of the original formula. Delay will deny the carriers traffic to which we have found them to be entitled under the

interim formula. 7/ While we cannot quantify the extent this will harm those carriers, we note that RCA's arguments of the effects on it caused by a loss of traffic also apply to the harm caused the others who do not receive that traffic. In these circumstances, to save RCA from the traffic diversion, while causing a similar adverse effect on ITT and TRT, is not in our judgment equitable and is not an appropriate grounds for the relief requested. 8/

20. Most importantly, RCA has failed to show that a grant of its request would advance the public interest. In this regard, the most RCA offers is an assertion that a stay of the interim formula will not cause any short-term detriment to the public. We believe, however, that the public will benefit from the new method of distribution through the incentives it provides the carriers to increase their efficiency and to maintain or improve service quality. Further, we find substantial disincentives to such goals in the original formula. In the absence of any substantial showing that our decision is deficient or that our conclusions are erroneous, we see no reason to delay the benefits of the interim formula. The interim formula resulted from a careful analysis of all the relevant matters and RCA has shown nothing which suggests that it will be likely to obtain reversal of that formula. No grounds exist, therefore, for further denying the other carriers the equitable distribution embodied in the interim formula. Accordingly, for all the above reasons, we will deny RCA's Petition For Stay.

II. WUI PETITION FOR RECONSIDERATION

21. Turning now to the WUI Petition for Reconsideration, we are similarly unpersuaded by anything contained therein either that our Report and Order was erroneous, or that the effectiveness of the interim formula should be further postponed. In its Petition, WUI also challenged, without elaboration, our decision to base distribution of unrouted traffic on the carriers' respective shares of routed traffic. What we said above in connection with the RCA Petition for Stay applies equally to WUI's argument on this point and for that reason we will deny this request of WUI. Alternatively, WUI requested us to redefine "routed" traffic

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7/ We also dispute RCA's characterization of the redistribution of traffic to other carriers under the interim formula as an "unanticipated and unjustified revenue windfall." As we have noted, no carrier has any claim to unrouted traffic except that conferred by the formula. So long as a formula meets the statutory criteria, a carrier has a valid claim to that traffic. As the interim formula qualifies under that standard, the carriers are legally entitled to all traffic received under its provisions and its receipt can hardly constitute a "windfall."

for purposes of the interim formula to exclude self-generated traffic in calculating the carrier respective routed-traffic shares. Self-generated traffic refers to traffic originated over a particular IRC's own facilities, as contrasted with traffic originating with WU and transferred to the IRC. Such traffic includes messages filed over the counter at an IRC public office, by telephone, over an IRC-supplied (telex) teleprinter. See Interim Formula, Section IV (a) - (c). After considering WUI's arguments, we adhere to our conclusion that self-generated traffic should be considered in calculating the carrier quotas. Self-generated traffic has a central role in the distribution of traffic under the original formula and the interim formula merely continues that practice. 9/ Therefore, we are unpersuaded by WUI's argument that it had no notice that self-generated traffic might be included in quota calculation. 10/ WUI could hardly be unaware that some features of the original formula might be retained in an amended formula. More importantly, however, WUI was on notice of the self-generated traffic question because that question was specifically placed in issue by the pleadings of the parties. 11/ Moreover, WUI itself advocated inclusion of self-generated traffic in connection with its third counterproposal. WUI Supplemental Comments at pp. 7-11. See also 57 FCC 2d at 196-7. WUI advocated a simplified version of the original formula which would place all carriers on an equal footing and base each carrier's quota of unrouted traffic on all its routed traffic -- including self-generated traffic. Even though WUI chose to oppose, with the exception of its own counterproposal, proportionate distribution, and chose not to address the merits of including self-generated traffic, it clearly had notice of the issue and cannot now argue that it was denied the opportunity to comment. Accordingly, we find without merit WUI's contention

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9/ In fact, as our Report and Order recognized, at paragraph 20, the unanticipated growth in the relative proportion of self-generated traffic was the chief reason for the accumulation of large deficiencies and overages under the original formula.

10/ WUI, in fact, noted that self-generated traffic was included in calculating quotas under the original formula. See WUI supplemental comments at p. 14.

11/ TRT, by letter dated June 26, 1973, advocated proportionate distribution of traffic, but argued against inclusion of self-generated traffic in calculating quotas. ITT, in its Statement, at p. 33, agreed with TRT with respect to proportionate distribution but advocated inclusion of self-generated traffic.

that it was denied "due notice and hearing" on this issue as provided for in Section 222(e)(1) or a "full hearing" under Section 222(e)(3). Similarly, we find without merit WUI's contention that our inclusion of self-generated traffic in calculating carrier quotas denied it the notice required by Section 553(b) of the APA.

22. Nor are we persuaded by WUI's arguments that inclusion of self-generated traffic will unfairly prejudice WUI due to its lack of public offices in the gateways. The amount of traffic affected by this provision is so small that it would not have a significant effect on WUI's operating results. 12/ WUI has shown nothing which would justify excluding self-generated traffic in calculating unrouted traffic quotas under the interim formula. The fact that the formula concept is aimed at, and only applicable to, unrouted traffic (which is by definition traffic handled by WU) does not argue that only routed WU transfer traffic should be used to determine distribution of unrouted traffic. Self-generated traffic is an integral and important part of routed traffic which it would be illogical to ignore.

23. We also disagree with WUI that the IRCs compete in conceptually different markets which require different methods of distribution. All IRCs are more or less equally situated with respect to traffic originating in the hinterland; no one carrier has better access than another. As TRT noted in opposing WUI's arguments, the carriers compete on a nationwide basis both in gateways and hinterland, since both gateway and hinterland customers may file their messages with WU and both have the option to route their messages or to file them unrouted. Thus, the important criterion for decision in the formula question is not, as WUI suggests, the relationship of WU to the filing public, but that of the IRCs and the public - since it is the IRCs, not WU, who will carry the messages overseas. Further, it is not the relation of WU to the public which creates unrouted traffic, but whether the IRCs are able to persuade customers to insert routings. WU does not carry traffic internationally; in this connection it is a conduit to the various IRCs. In addition to conceptual weaknesses, WUI's arguments are internally inconsistent. While arguing that only WU transfer traffic is relevant to the formula, WUI inexplicably would include direct access traffic with which WU has no connection. Further, WUI would include gateway-originated traffic filed with WU even though it comes from a market which WUI asserts is irrelevant since the IRCs compete directly there. 13/ We note that

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12/ During the WU study period, 8,098 messages were filed unrouted at designated WU offices, while WUI reported 276,554 direct pickups of its own. Thus, the designated-office traffic amounts only to about 3% of its total self-generated traffic.

13/ WUI's argument is thus factually incorrect since WU has an "operating preserve" in the gateways equal to that of the IRCs. WUI is also inaccurate with respect to the hinterland; the IRCs have a direct operating presence there, albeit to a lesser extent than WU, through the mechanism of direct access.

WUI's proportion of routed WU transfers is higher than its proportion of self-generated traffic or its share overall. Therefore, it would be to WUI's advantage to exclude self-generated traffic, since that would yield it more unrouted traffic under the interim formula. We believe that WUI has not shown that self-generated traffic should be excluded in calculating carrier quotas under the interim formula. 14/

24. *Phasing-in of the Interim Formula*. WUI has shown no reason why the interim formula should be phased in rather than becoming effective immediately. Section 222(e)(3) requires us, once we have found the present method of distribution to be unjust, to prescribe a new distribution which will meet the statutory standards. A phased implementation would not be consistent with this requirement, although we believe that such an approach would be within our discretion under the Act if we found strong public interest reasons for it. In the present matter, we see no public benefits from such an approach and, further, strongly question whether it would be feasible. The philosophy underlying the interim formula, that unrouted traffic be distributed according to customer wishes expressed through specific routings, would be frustrated by a phased implementation. Beyond this, we can see no reasonable basis for implementing the approach.

25. *Gateway Direct Access*. WUI also seeks clarification of Paragraph IV (b) of the interim formula which defines specifically routed messages to include those "filed with an international carrier at its gateway office by means of domestic communications networks . . . *so long as the customer pays all charges incurred in connection with the use of such means* . . . (direct access)." (emphasis added). In *All America Cables & Radio, Inc.*, 15 FCC 293 (1950), we permitted customers to file overseas messages directly with the IRCs so long as the customers pay the charges associated with the use of domestic communications networks. For customers located within the gateway cities, we permitted the IRCs to absorb the usage charges so as to bring direct access into conformity with the IRCs general practice of free pickup and delivery in the gateway cities. We included the cited language to make clear that direct access traffic is included in routed traffic for purposes of calculating carrier quotas under the interim formula. As such, we did not intend to alter past Commission policy in this respect. Inasmuch as present Commission policy permits the IRCs to absorb usage charges in connection with gateway direct access, the language in paragraph IV (b) should not be taken as an intention now to require such customers to pay those charges. Further,

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14/ See Report and Order, 57 FCC 2d 190, at paragraph 18, Table 2.

traffic filed over the affected domestic networks by gateway-city customers will be considered as specifically-routed traffic, since it was filed with a specific IRC. Since the purpose of including the direct access provision in the formula was only to list the classes of traffic which would be considered specifically routed, it was not intended as a definition of direct access or a rule setting forth the criteria for its use; and we therefore believe it unnecessary formally to amend the language. 15/

III. WU MOTION FOR CLARIFICATION

26. On March 5, 1976, WU filed a contingent motion for clarification in which it noted that in accordance with our January 7 Report and Order it had invested in the new facilities and hired additional personnel necessary for implementing the interim formula. WU had undertaken these matters in the belief that the interim formula would become effective on March 21, 1976. 16/ WU now seeks clarification of our February 26 stay order to make explicit that it will be reimbursed for all increased expense resulting from the stay. Comments on WU's Motion were filed by ITT, RCA and TRT. We believe that since WU is a disinterested party in the present dispute it would be unreasonable to burden it with the start-up costs it incurred in good faith in anticipation that the interim formula would become effective on March 21, 1976. It was beneficial for all concerned to allow us time to consider RCA's and WUI's arguments and to resolve any doubt as to the interim formula. Inasmuch as all the IRC parties have benefitted from our review, we believe that all should bear a portion of the WU costs. We believe the most equitable basis for apportioning the costs is in proportion to the amount of traffic each carrier will receive under the initial quotas. This is the way costs were to be apportioned at the time WU began its preparations for

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15/ We do believe, however, that the provision should be part of the interim formula for the purpose of listing categories of specifically-routed traffic to which it applies. We express no opinion by this inclusion as to the propriety of present direct access policy. If in the future we have occasion to re-examine the policy, we will face the question of amending the formula in connection with any action we may then take.

16/ WU had sought extension of the effective date from the original March 1, 1976 date to permit its preparations. This request was mooted by our order of February 26, 1976, 58 FCC 2d 266, staying the effective date indefinitely.

implementing the interim formula and the way costs will be apportioned during the operation of the formula. This will thus obviate the necessity of segregating costs incurred before March 21, 1976 from those arising thereafter and avoid disputes as to the allocation made. 17/

27. Accordingly, IT IS ORDERED that the Petition for Stay in the above-captioned matter filed by RCA Global Communications, Inc. is hereby DENIED.

28. IT IS FURTHER ORDERED that the Petition for Reconsideration in this matter filed by Western Union International, Inc. is to the extent provided for herein, GRANTED but, otherwise, is DENIED in all respects;

29. IT IS FURTHER ORDERED that the Petition for Extension filed in this matter by the Western Union Telegraph Co. is DISMISSED;

30. IT IS FURTHER ORDERED that the Stay issued in this matter shall CONTINUE until RCA Global Communications shall have had an opportunity to obtain a ruling from the Court of Appeals, on condition that RCA renews its pending Petition for Stay filed in that court within five days of the release of this Order.

FEDERAL COMMUNICATIONS COMMISSION

Vincent J. Mullins
Secretary

17/ RCA is also seeking a stay from the Court of Appeals. As we indicated in our prior stay order, we would continue the stay until RCA has had a reasonable opportunity to get a determination from the reviewing court.

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F.C.C. 72-1141

BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

In the Matter of
INTERNATIONAL RECORD CARRIERS' SCOPE OF OPERATIONS IN THE CONTINENTAL UNITED STATES, INCLUDING POSSIBLE REVISIONS TO THE FORMULA PRESCRIBED UNDER SECTION 222 OF THE COMMUNICATIONS ACT
Docket No. 19660
RM-690

NOTICE OF INQUIRY AND PROPOSED RULEMAKING

(Adopted December 13, 1972; Released December 18, 1972)

BY THE COMMISSION:

1. The Commission has pending before it various petitions and requests all of which relate to the domestic handling of international record traffic. Of greatest immediacy, are proposed tariff revisions filed by the international record common carriers, to become effective March 1, 1973, under which such carriers, rather than their customers, would absorb the landline transmission charges related to the pickup and delivery of international telegrams outside of the gateway cities in which those carriers maintain offices. In essence, these pleadings may be grouped into three separate categories. The first and longest pending is a petition for rule-making filed by ITT World Communications, Inc. (ITT)[1] wherein it is requested that the Formula for the Distribution of Outbound International Traffic (Formula) handled by Western Union Telegraph Company (Western Union) be revised in various aspects. Second, Western Union has filed a petition that this Commission order an increase in the per word charges for the landline haul of full-rate messages from 6.5 cents per word to 13 cents per word with corresponding charges for other classes.[2] Third, there are the above-mentioned proposed tariff amendments, to become effective March 1, 1973, filed by the international record carriers under which they, rather than the customers, would pay the domestic transmission charge for international message telegrams sent by hinterland users directly to present gateway offices or sent by the carriers from such offices directly to hinterland users by telephone, telex, etc.: and applications filed by international carriers for authority to open offices in additional mainland cities.[3] The specific requests and proposals include the following:

(a) Proposed amendments filed by ITT, to its Tariff F.C.C. No. 7[4] which would permit ITT, to absorb all charges incurred for the use of the various domestic communications media for direct customer access to the international carrier for the pickup and delivery of international message telegrams;

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[1] November 27, 1964. *See* RM-690.

[2] *See* petition of Western Union Telegraph Co. dated July 23, 1970.

[3] The "hinterland" is that territory in the contiguous 48 states beyond the limits of the gateways of an international record carrier.

[4] Specifically, 368th Revised Page 1, 151st Revised Page 1A, 11th Revised Page 9, 11th Revised Page 10, 13th Revised Page 11D, 7th Revised Page 70A and 6th Revised Page 70B.

(b) Proposed amendments filed by Western Union International (WUI) to its Tariff F.C.C. No. 12[5] which would have the same effect as that in (a) above;

(c) Proposed amendments filed by RCA Global Communications, Inc. (RCAG) to its Tariff F.C.C. No. 60[6] which would have the same effect as that in (a) above;

(d) An application by ITT[7] under Sections 214 and 222 of the Communications Act for authority to establish 15 operating points in the hinterland for the handling of telex and leased channel services and for the authority to use Wide Area Telephone Service (WATS) for the pickup and delivery of international message telegram traffic in the contiguous 48 states;

(e) An application of RCA Global Communications, Inc. (RCAG)[8] under Section 214 to establish 18 operating points in the hinterland for the handling of telex and leased channel services; and

(f) Application of TRT Telecommunications, Inc. (TRT)[9] for authority under Sections 214 and 222 to establish New York City as a gateway for leased channel services to points in Latin America and the Caribbean.

2. Finally, there is pending before us a petition for review of the action of the Chief, Common Carrier Bureau regarding an application of Western Union for authority to provide Mailgram service between the contiguous states and Hawaii.[10] We are considering this matter separately, as it is not directly related to the questions described above, and expect shortly to issue a decision thereon.

3. All of the foregoing proposals and requests present a complex of issues which are essentially interrelated. They have a common genesis in the so-called domestic telegraph merger legislation which was enacted in 1943[11] and the changes and developments which have occurred since that time. The merger legislation permitted Western Union to merge with the Postal Telegraph Company (Postal) upon the making of certain findings by the Commission. Western Union at the time was not only the major telegraph carrier within the United States, but also provided international telegraph services through its cable division. Postal also provided a more limited domestic message telegraph service and its facilities for pickup and delivery of international traffic were available to the international telegraph carriers. There was concern expressed that if the merger took place between Western Union and Postal, Western Union would be in a position to favor its own cable division in the handling of international telegraph traffic. The legislation proposed to address this problem in two ways: (1) by requiring the eventual divestment by Western Union of its international telegraph operations[12] and (2) by requiring that Western Union distribute outbound international telegraph traffic among the international record carriers and divide the charges for such traffic in accordance with a formula approved or prescribed by the Com-

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[5] Specifically 75th Revised Page 1, 6th Revised Page 9, 6th Revised Page 81 and 6th Revised Page 86.

[6] Specifically 300th Revised Page 1, 10th Revised Page 6, 8th Revised Page 65 and 8th Revised Page 66 B.

[7] File No. T-C-2433, filed September 20, 1971.

[8] File No. T-C-2498, filed January 11, 1972.

[9] File No. T-C-2498, filed September 1, 1972.

[10] Western Union proposed to transmit messages from the mainland to post offices in Hawaii for delivery to the addressees, using facilities leased from the Communications Satellite Corporation. The Chief, Common Carrier Bureau advised Western Union by letter of April 19, 1972 that its application was not accepted for filing in view of the Section 222 proscription on Western Union overseas services. The Western Union application for review was filed on May 19 and will be acted on shortly.

[11] 47 U.S.C. § 222(b)(1)(1964).

[12] 47 U.S.C. § 222(c)(2)(1964).

mission.[13] This formula was to be so designed as to insure equitable distribution of traffic and a reasonable division of the tolls for such traffic between the merged domestic carrier and the international carriers.

4. At the present time, the international record carriers provide, in addition to other services, pickup and delivery of international telegraph messages, at their expense, within the so-called gateway cities in which they operate.[14] These cities, for ITT, WUI and RCAG, the three major record carriers, are New York, San Francisco, and Washington. TRT gateway cities are Miami and New Orleans (with the three major record carriers handling leased channel services at Miami). These carriers interconnect with Western Union, which handles international telegraph messages to and from users located outside the gateway cities, with Western Union receiving a portion of the charges for such messages in compensation for its landline services.

5. Both the concept of the gateway and the manner in which traffic may be delivered to points beyond the gateway have been in a constant state of evolution and development since 1943 as the needs of users developed and as technology evolved. As early as 1949 the Commission had occasion to review in detail the pickup and delivery practices of the carriers for traffic originating and terminating in the hinterland. *All America Cables and Radio, Inc.*, 15 F.C.C. 293, (Docket No. 9433). In that proceeding, we accepted the principle, reflected in the tariffs of certain international carriers, that hinterland users could forward outbound messages to an international carrier by telephone, TWX or otherwise and that overseas inbound messages addressed to persons in the hinterland could be delivered by such means where appropriate instructions had been given by the customer. In each instance the domestic handling would be at the customer's expense. We have also, on specific occasions when it appeared to be in the public interest, authorized the international carriers to extend their operations to points outside the gateway cities.[15]

6. Since the merger was authorized in 1943 there have been significant changes both in the composition of international record traffic and in the facilities and services available to handle such traffic. At the time of merger, international message traffic contributed the major portion of total international communications revenues, whereas it now contributes a minor portion of such revenues and a decreasing share of international record carrier revenues. In 1943, the primary, if not the only method of handling international message telegraph traffic in the hinterland, was through the domestic facilities of Western Union (and, prior to merger, of Postal). Since that time, there has been a rapid development in domestic teleprinter exchange and other serv-

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[13] 47 U.S.C. § 222(e)(1) (1964).

[14] See 47 U.S.C. § 222(a)(5) (1964), which provides that the international carriers may accept or deliver international telegraph messages in those cities which constitute gateways approved by the Commission as points of entrance into or exit from the continental United States.

[15] *E.g.*, we have permitted Press Wireless, an international carrier, to operate temporary pickup and delivery offices at national conventions and on similar occasions. We have also expanded the concept of the gateway to include areas beyond the corporate limits of gateway cities when we found good cause for so doing. Metropolitan Areas Case (Docket No. 10335) and Press Wireless, Inc., 21 F.C.C. 511, (1956).

ices. Furthermore, the Commission has recently authorized Western Union to acquire the TWX facilities of American Telephone and Telegraph Company (AT&T) so that, combined with its own Telex service, it has a virtual monopoly over domestic teleprinter exchange traffic. Finally, telephone service has expanded tremendously since 1943 so that it is directly available to the vast majority of the people of the United States. AT&T now offers a service (WATS) whereby, for a fixed monthly charge, a subscriber may make unlimited telephone calls anywhere in the United States. Such service is also offered in the inbound direction and permits subscribers to receive calls from anywhere in the United States at their expense. On the telegraph side, Western Union has, since the domestic merger, closed hundreds of its smaller offices throughout the country and in New York City in an effort to modernize its operations and to follow the shift from over-the-counter to telephone and machine-operated pickup and delivery.

7. As a result of these developments, an increasing amount of international telegraph message traffic is specifically routed via a particular international carrier, including messages filed directly with such carrier by hinterland users, and this trend is expected to continue in the years ahead.

8. It is within the context of the developments outlined above that it is necessary and timely to reevaluate the existing institutionalized methods and practices involved in the pickup and delivery of international traffic originating at or delivered to hinterland points outside of the established gateway cities, including the overall relationship between Western Union and the international record carriers so that the public will be assured of efficient and economic international record communications. We believe this objective will best be achieved by our consideration of all the foregoing matters in their totality.

9. Therefore, rather than now having independent consideration with a separate procedure for each of the above cited matters, we shall institute a general inquiry which will address, on a consolidated basis, the broad and important public interest issues posed by the "direct access" tariffs and the ITT and RCA applications to establish offices in the hinterland and to transmit certain types of traffic over lines to be leased from domestic carriers.[16] Such an inquiry will also treat the technological and operational changes which have taken place affecting the pickup and delivery of telegraph traffic, and the effects thereof on the existing arrangements for the division of tolls between Western Union and the international carriers, as well as the specific per word compensation currently in effect. Finally, the inquiry will give consideration to the current operation of the international formula, and determine whether current conditions and trends require modification of the formula. We will not at this time attempt to define the precise issues to be considered, nor will we now direct the parties to file either written comments on substantive matters or to participate in evidentiary hearings. Rather, as hereinafter prescribed, we will direct all interested parties to recommend specific issues to be considered in view of the matters discussed above, and the specific procedures by which such issues should be resolved in this Inquiry. These recommendations

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[16] We will give consideration to the TRT applications for authority to use New York City as a gateway at the same time.

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shall be the subject of informal conferences which will be called and conducted by the Chief, Common Carrier Bureau.

10. The Chief, Common Carrier Bureau, shall meet with respondents herein to consider the specific issues to be resolved and the procedures to be used in resolving such issues. Following such meetings, which shall be held with reasonable promptness, the Commission will issue a further memorandum opinion and order specifying issues and procedures to be followed. In such meetings the parties shall strive to resolve all disputed questions through written exchanges, negotiations or stipulation, rather than through cumbersome and time-consuming processes of an adversary proceeding.

11. Returning to the tariffs before us, we do have a threshold question relating to the pending tariffs to become effective on March 1, 1973, pursuant to which the international record carriers would be permitted to pick up or deliver traffic at no additional cost to the customer located outside of the gateway cities. For this purpose, the international carriers would use inward and outward WATS services of the telephone companies as well as TWX and Telex services of Western Union by which such international carriers would accept international message telegrams from points in the hinterland or deliver such messages to points in the hinterland. Western Union contends the tariff revisions should be *rejected* on the following grounds: (a) the practices contained in the filings are expressly prohibited by prior Commission decisions; (b) prior approval pursuant to Section 222 is required to pick up and deliver in the hinterland; (c) prior approval under Section 214 is required to extend service to the hinterland; (d) lawful joint through rates to points on the systems of the domestic carriers cannot be established by absorbing the charges of such carriers without their concurrence or a Section 201(a) finding; (e) the proposed revisions are inconsistent with the legally filed tariff for Western Union's Telex service; (f) the interconnection arrangements proposed are inconsistent with existing through routes established by Western Union and the carriers and with the presently effective division of tolls authorized by the Commission; and (g) the revisions are not in the public interest in that they would jeopardize Western Union's plans to modernize its facilities to provide improved service.

12. The contentions of Western Union must be considered and evaluated in the light of the purposes, background and developments set forth hereinabove. First of all, we wish to make it clear that none of our prior decisions with respect to the handling of traffic in the hinterland accepts the Western Union premise that it was granted some form of exclusive right with respect to the pick up and delivery of international message traffic beyond the gateway cities. We have in the past rejected such contentions. (See paragraph 5 above.) Insofar as the argument with respect to Section 214 is concerned, we believe that it is sufficient to note that a considerable number of past actions taken by Western Union are exactly contrary to the position it now takes. Thus, it has for several years been making use of the public telephone network, *i.e.*, message toll telephone and WATS services, for the intercity pickup and delivery of both domestic and international telegraph traffic without having requested Section 214 authorization. In essence, Western Union assumed, and we believe correctly so, that the use of

the public telephone, TWX, or telex services, as now contemplated by the record carriers, does not involve the construction or acquisition of a line or the operation of any such extended or additional line within the purview of Section 214 of the Act. Accordingly, on the basis of precedent primarily established in connection with activities of Western Union, we find the Section 214 argument to be without merit.

13. With respect to the Section 222 argument of Western Union, it was the intent of Congress that the carriers be restricted to designated gateway cities in accepting or delivering international message telegraph traffic unless and until appropriate authorization under that section had been obtained from the Commission to extend those gateways or to create new ones. The key question, therefore, is whether, as contemplated under the proposed tariff revisions, the use of modern facilities which either did not exist or were in their relative infancy at the time this provision was enacted, were intended to be encompassed within the statutory ban. The above-described tariff filings do not involve or contemplate the duplication of facilities between the existing offices of the carriers and points of pickup and delivery in the hinterland. Rather, the international carriers propose to make use of the existing switched TWX and Telex networks of Western Union or the WATS telephone service network of AT&T to facilitate the pickup and delivery of international traffic originating at or destined to points outside the existing gateways. Western Union or AT&T are to be reimbursed for the use of their respective networks at published tariff rates. The difference between current practice and what is proposed in the tariffs at issue is the absorption by the international carriers of the charges associated with the customers' use of the Telex, TWX or WATS networks. From the user's standpoint, the practices will differ from those currently in effect only to the extent that there will be a reduction in the cost of direct access.

14. However, despite the fact that the carriers do not by their tariff revisions propose to establish offices in the hinterland, we believe that the proposals to absorb the charges for the domestic handling of international telegrams do raise a valid question as to whether Section 222 applies to the subject tariff revisions. Specifically, the question is whether the use of the public telephone, TWX and Telex networks in the way proposed by the carriers constitutes a change in established gateways by such carriers which require prior approval by the Commission as contemplated by Section 222(a)(5) of the Communications Act and whether, in the absence of such prior approval, the proposed tariffs should be rejected.

15. In view of the importance of this threshold question, we feel that it should be promptly resolved, and, we will consider it separately from the other matters under consideration herein. The filing carriers have deferred the effective date of their respective tariff revisions until March 1, 1973, so that there is opportunity for the filing of briefs on the specific question whether the new practice proposed in these tariff revisions requires prior Commission authorization under Section 222. Upon receipt of these briefs and any reply briefs which may be filed, we will hear oral argument. We will then make a determination as to the applicability of Section 222 before undertaking any further consideration of the merits of the proposals. If, in deciding this matter, we

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conclude that Section 222 authority is required, the tariffs will, of course, be rejected as conflicting with the statute and returned to the carriers who filed them. The carriers will then be free to file requests for authorization under Section 222 to institute the proposed service. We emphasize that the briefs and oral argument we are ordering herein shall address only the narrow question of the applicability of Section 222 to the proposal by the international carriers to absorb the costs of direct access by means of domestic Telex, TWX and WATS telephone service, and whether approval by the Commission is required as a condition precedent to the filing of such tariffs. If this question is determined in the negative, the broader public interest issues presented by the practices embraced by the tariff provisions involved will be treated in the context of Sections 201 and 202 of the Communications Act within the general inquiry we are hereby instituting.

16. The other arguments of Western Union for rejection are not persuasive. We do not think previous decisions are grounds to reject the proposed revisions. In *All America Cables and Radio, supra,* we did not specifically address the question of whether payment of land-line transmission costs by the international carriers rather than the customers would be unlawful, but, rather, permitted to become effective a tariff provision which required the customer to pay such costs. Nor do we think that a through route is sought to be established by the proposed revisions, in view of arrangements relating to interfacing of domestic and international telex systems, which are not considered to be through routes. We agree that there is a conflict with Western Union's Telex tariff; however, there is serious question as to whether the relevant provisions of such tariff will be lawful should the proposed international tariffs become effective. Insofar as Western Union argues inconsistency with the present through routes that it maintains with the record carriers, we think this question is subsumed by the Section 222 question.

Accordingly, IT IS ORDERED, Pursuant to Sections 4(i), 4(j), 201, 202, 205, 214, 222 and 403 of the Communications Act, that an inquiry is instituted to determine the nature and extent of the changes in technology, operation, and economics related to the handling of international record communications and what revisions are necessary or desirable in the public interest with respect to the various matters discussed herein, in light of such changes;

IT IS FURTHER ORDERED, That following the meeting referred to in paragraph ten, a further order shall be issued by the Commission, specifying issues and the procedures for their resolution;

IT IS FURTHER ORDERED, That The Western Union Telegraph Company, ITT World Communications Inc., RCA Global Communications, Inc., Western Union International, Inc., and TRT Telecommunications Corp. are named as parties respondent;

IT IS FURTHER ORDERED, That, in accordance with Section 1.51(a)(3) of the Commission's Rules and Regulations, each entity named as a party herein shall, within 20 days of the release of this order, submit an original and nineteen copies of a brief on the applicability of Section 222 of the Act to the free direct access proposals contained in the ITT, WUI and RCAG tariff revisions; that reply briefs may be filed within ten days thereafter; and that oral argument on the matter will thereafter be held before the Commission *en banc* at Washington, D.C., at a date and time to be specified by subsequent order;

IT IS FURTHER ORDERED, That the applications of ITT World Communications Inc., RCA Global Communications, Inc., and TRT Telecommunications Corp. for additional gateway authority shall be retained for appropriate further action in accordance with any decision taken in the inquiry ordered herein; and

IT IS FURTHER ORDERED, That the petition of ITT World Communications Inc., RM-690, to revise the Formula for the Distribution of Outbound International Traffic handled by Western Union and the petition of The Western Union Telegraph Company to increase the per word charges for the landline haul of international message telegrams shall be retained for appropriate further action in accordance with any decision reached in the inquiry ordered herein.

Federal Communications Commission,
Ben F. Waple, *Secretary*.

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F.C.C. 73-1203

BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

In the Matter of INTERNATIONAL RECORD CARRIERS' SCOPE OF OPERATIONS IN THE CONTINENTAL UNITED STATES, INCLUDING POSSIBLE REVISIONS TO THE FORMULA PRESCRIBED UNDER SECTION 222 OF THE COMMUNICATIONS ACT	Docket No. 19660 RM-690

MEMORANDUM OPINION AND ORDER

(Adopted November 21, 1973; Released November 26, 1973)

BY THE COMMISSION: COMMISSIONER H. REX LEE ABSENT; COMMISSIONER REID CONCURRING IN THE RESULT.

1. The Commission has before it for consideration (a) a petition for rulemaking filed by ITT World Communications Inc. (ITT) under Section 222(e)(3) of the Communications Act seeking changes to the formula for distribution of outbound international messages (formula);[1] (b) comments on that petition filed by RCA Global Communications, Inc. (RCA), Western Union International, Inc. (WUI), TRT Telecommunications Corp. (TRT), French Telegraph Cable Co. (French Cable), Canadian National Railway Co. (CNR), Canadian Pacific, Ltd. (CPL) and The Western Union Telegraph Co. (WU); (c) a reply filed by ITT; and (d) supplementary comments filed in response to a request of the Chief, Common Carrier Bureau, by RCA, WUI, French Cable, TRT, CPL and WU amplifying the positions taken in their originally filed comments. The ITT petition alleges that the formula, as presently written, is anachronistic and no longer provides a distribution among the international record carriers (IRC's) of outbound international message traffic which is just, reasonable, or equitable in the public interest. The petition further requests the Commission thoroughly to review the workings of the formula and to prescribe a new formula which will be eqiutable to all parties.

2. The present dispute centers around the formula developed pursuant to Section 222(e)(1) of the Communications Act. That section provides that

> the consolidated or merged carrier [WU] shall . . . distribute among the international telegraph carriers, telegraph traffic by wire or radio destined to points without the continental United States. . . . in accordance with such just, reasonable, and equi-

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[1] As originally filed, the petition was denominated a "complaint" in accordance with the language of Section 222(e)(3). However, since it involved a request for a change in the formula, which is a "rule" within the meaning of § 551(4) of the Administrative Procedure Act, 5 U.S.C. § 551 (1971), it was treated as a petition for rulemaking and assigned the file number RM-690. For simplicity, the complaint will be referred to herein as a petition for rulemaking or petition.

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Docket No. 19660
RM-690

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> table formula in the public interest as the interested carriers shall agree upon and the Commission shall approve . . . 47 U.S.C. § 222(e)(1) (1970).

The question before us is whether the formula currently in effect, which was initially prescribed by the Commission in 1943, is now outmoded. Section 222(e)(3) provides that the formula may be revised whenever, upon a complaint or upon its own motion and after a full hearing, the Commission determines that the formula no longer operates so as to fulfill the statutory requirements. We believe that the ITT petition and associated pleadings make a *prima facie* showing that the current formula is or will be unjust, unreasonable, or inequitable and thus not in the public interest.

3. Section 222 was enacted in 1943 to permit the merger of WU and The Postal Telegraph Cable Co. (Postal). As a result of the merger, WU would become the sole domestic telegraph carrier with an extensive landline network.[2] Congress feared that this would put WU in a position where it could favor its own international division (WU Cables) over the independent IRC's with respect to traffic originating in the hinterland. Therefore, the section included a provision requiring WU to divest itself of its cable division. Since divestment was not made a pre-condition of the merger, WU would continue its international operations until such time as a purchaser for them was found. Section 222(e) was included to provide a method for insuring fair distribution among the IRC's of outbound international message traffic by WU, avoiding favoritism of either its own cable division pending divestment or another carrier. We approved the merger application on September 27, 1943, 10 F.C.C. 148 (Docket 6517), and issued an accompanying "Separate Report of the Commission on Formulas for the Distribution of International Traffic," 10 F.C.C. 184. In this document, we adopted a method of distribution which, with some modifications,[3] remains in effect today.

4. The formula, which is set forth in the attached Appendix, provides generally that each IRC should receive from WU a sufficient number of unrouted[4] international messages so that the gross international tolls such IRC would receive from all traffic (routed as well as unrouted) destined to a particular geographical sub-area[5] would accord with that carrier's proportionate share of the total tolls to each subarea during the base year.[6] An IRC is given a quota of messages, taking into consideration not only the number but also the length of

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[2] There was a limited IRC domestic message service prior to World War II. However, during the war, the War Communications Board ordered those operations terminated for reasons of national security, and they were never resumed.

[3] In 1961, in connection with the WU divestment, we modified the formula to substitute WUI for WU Cables division and to reflect the fact that thereafter WUI would be an independent IRC.

[4] A customer sending an outbound international telegram via WU may either specify the international carrier he wishes to handle the message (a "routed" telegram) or merely file the message with WU without further direction (an "unrouted" message). The formula, which provides in Section III that specific routings are to be honored, was designed to provide a fair distribution of total message traffic.

[5] The formula created three Areas: (1) Area "A" (Atlantic), (2) Area "B" (Latin America) and (3) Area "C" (Pacific). Each area is divided into "Subareas" to cover specific countries and territories.

[6] The "base year" under the formula is, generally, 1942 (the last full year prior to the merger). The formula, however, provided that where service to a country within a subarea of Areas A or C had been interrupted by the war, the base period for determination of quotas would be the last twelve-month period prior to the interruption in which all interested IRC's were normally handling traffic to that country.

the messages, to the geographical areas it was authorized to serve in 1942 that would achieve the general goal of the formula. In the event that the messages turned over in any month do not fulfill a carrier's quota, the formula provides for that carrier an increased number of messages to assure that its quota is met thereafter. Day-to-day administration of the formula is conducted by the International Formula Committee, made up of representatives of the interested IRC's, which issues, through its staff the International Quota Bureau, instructions to WU directing it to distribute unrouted messages. We have the responsibility to oversee the operation of the formula as a whole and to assure that it continues to serve the public interest.

5. In 1961 we approved a plan under which the American Securities Corp. would purchase the WU Cables division and operate it as an independent IRC under the corporate name of Western Union International, Inc.[7] With the consummation of divestment in 1963, WU was no longer in a position where it could favor its own international operations. At that time, we approved certain modifications to the formula to reflect the effect of the divestment. However, we did not engage in a thoroughgoing review of the formula or make any structural revisions.

6. In December 1972, in Docket No. 19660, we initiated a general inquiry into the relationship between WU and the IRC's.[8] Among the matters included in that inquiry is the ITT petition at issue herein. This investigation arose from a series of interrelated filings bearing on the general question of the interface between the domestic and international telegraph fields. At the time we instituted this docket, we stated our belief that these matters would best be considered together. However, in view of the developments which have taken place since we instituted Docket No. 19660, it now appears that the best and most expeditious course is for us to consider further the ITT petition and associated responses separately at this time.

7. In its petition, ITT isolated three aspects of the present formula which it claims need correction: (1) the quota system; (2) "Schedule B"; and (3) the gateway concept. With respect to the quota system, ITT alleges that the technical, operational, and corporate changes which have occurred in the international message industry since 1942 have made it anachronistic. Under the formula, the quotas are designed to preserve each IRC's relative market share at its 1942 or earlier level. ITT notes that, although the present structure was arguably necessary to prevent WU from favoring its cable division, its continued validity is doubtful because the divestment of that division has put WU in a position where it can no longer so favor itself. More fundamentally, however, ITT charges that the existence of sizeable "deficiencies" and "overages,"[9] and the fact that the formula provides

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[7] 30 F.C.C. 323 (Docket No. 6517) (1961).

[8] 38 F.C.C. 2d 548 (1972).

[9] The amount of unrouted traffic due a carrier under its quota is affected by the amount of routed traffic it carries to a particular geographical subarea. If, through specifically-routed traffic alone, a carrier exceeds its quota for any category of traffic to a subarea (defined as an "overage") the formula calls for unrouted traffic to be withheld from that carrier in other categories so as to balance off the excess. Similarly, when unrouted traffic turned over to a carrier, when added to routed traffic, is insufficient to satisfy its quota to any subarea (a "deficiency"), it is to receive increased amounts of unrouted traffic thereafter until its deficiency is eliminated. ITT included figures in its petition to show that, on an overall basis, it and WUI were in an overage position, with RCA and others

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no way to eliminate them, indicate a basic weakness which should be corrected. ITT also challenges the continued validity of "Schedule B" to the formula. Under this provision, WU agreed to give RCA certain amounts of traffic taken from its quotas to subareas of Area A (Atlantic).

ITT characterizes this agreement as a "gift," which was made to compensate RCA for its pre-merger lack of access to a domestic landline system,[10] and argues that any disadvantage RCA suffered must be considered to have been redressed in the time since the formula was instituted. Finally, ITT believes that, in connection with a review of the formula, the "gateway"[11] concept should be modified to reflect more accurately modern operating techniques, such as automatic switching, which permit handling to and from any point in the United States, without processing at present gateways, as contrasted with the IRC's manual handling of messages at gateways in 1943. In view of this, ITT believes gateway cities, which were tied to old operating limitations, should not be restricted to those currently authorized. ITT requests that, after hearing, the Commission revise the formula to meet modern conditions, including:

a) cancellation of all existing overages and deficiencies;

b) ordering WU to turn over unrouted traffic equally to all IRC's authorized to serve the point of destination;

c) cancellation of the quotas for the Canadian carriers under appendix 2 to the formula;[12]

d) ordering WU to turn over all routed traffic to the carrier of the sender's choice without any regard to the distribution of unrouted traffic, if it can carry the traffic out of the country;

e) prescribing that gateway traffic originated by an IRC itself should have no bearing on the distribution of outbound unrouted traffic.

f) cancellation of Schedule B of the formula; and

g) upon revision of the formula, abolition of gateway quotas and distribution of unrouted traffic filed with WU equally among the IRC's, allowing the IRC's to operate in "new" "gateway" cities upon an appropriate Section 214 finding.

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in a deficit position. RCA was also in a deficit position with respect to Schedule B traffic. ITT argues that to the extent a carrier strives to increase its routed traffic, it loses unrouted traffic, so that the present formula inhibits competition. It also points out that RCA has no gateway quota to Areas A and B, so that its hinterland quota to those areas is not reduced by routed gateway traffic, as are ITT's and WUI's, where its gateway traffic is proportionately greater than it was in the base year. In view of its overages, and consequent lack of participation in unrouted traffic, it believes it is deprived of the opportunity to develop such market and to gain any return traffic from abroad that may result from the handling of unrouted traffic. It also cites other examples which it believes illustrate formula inequities—U.K. and Erie, South America, Japan.

[10] Prior to the merger, the WU Cables division relied on the WU domestic landline network to provide pickup and delivery for international message traffic to and from the hinterland, ITT's predecessor in the formula collectively referred to as the "A.C. & R. group," had an exclusive arrangement with Postal under which the ITT companies turned over to Postal unrouted inbound traffic in return for all its unrouted outbound traffic. RCA, however, had no such arrangements. RCA, however, did have a pre-merger contract with WU which provided that WU would turn some traffic over to it in return for RCA's inbound traffic. Additionally, RCA had arrangements with WU for exchange of traffic to and from trans-Pacific points.

[11] Section 222 provided that, notwithstanding the fact that pickup and delivery of international messages within the continental United States is defined as a domestic telegraph operation, the IRC's may pick up and deliver such messages "in the cities which constitute gateways approved by the Commission as points of entrance into or exit from the continental United States. . . ." *See* 47 U.S.C. § 222(a)(5) (1971).

[12] Appendix 1 to the formula provides that CNR and CPL be given quotas to certain points in Australasia. This provision arose because prior to the merger WU had a contract with CNR to turn over specifically-routed traffic destined for those points. Postal had a similar contract with CPL, except that unrouted traffic was also covered. The formula provides that specifically routed traffic be turned over to the two Canadian carriers and that sufficient unrouted traffic be turned over to CPL so that its pre-merger share of the total traffic (routed and unrouted) to the areas in question would be generally maintained. ITT argues that the contractual rights which resulted in this provision "can certainly be deemed to have been fulfilled. . . ." See ITT petition at pp. 11–12.

8. Essentially, none of the parties who filed comments herein disputes the factual allegations in the ITT petition. However, some of them take exception to certain features of the ITT proposal for a new formula. The position of the parties may be summarized as follows:

WU.—WU's present interest in the Formula lies in the establishment of provisions which are substantially clear and explicit so that it may readily determine the identity of the IRC to which traffic is to be transferred, and the means to make interpretations of the formula or resolve disputes. Any revision should provide for the distribution to be made by WU of international record traffic specifically routed via a Canadian carrier, or via an IRC which cannot carry such traffic out of the United States. In addition, any revision should not inhibit WU from changing its operating methods in pursuance of its modernization program. The present Formula is becoming increasingly incompatible with modern handling and processing of international telegrams. Instead of the present formula, all traffic should be required to be specifically routed by the sender. If this cannot be done, then responsibility for distribution should be transferred to an entity of the IRC's such as the International Quota Bureau. Failing this, unrouted traffic to a particular area should be transferred to one IRC, so as to simplify handlings. All costs of distribution should be borne by the IRC's, and WU should make a reasonable profit on its services in distribution of traffic. So far as ITT proposes expansion of existing gateways, WU opposes such a step. Since it has withdrawn from international operations, the IRC's should not expand into the domestic field. Moreover, the IRC's should not maintain independent offices in present gateways, but should use WU offices. In any event, any treatment of the gateway question in the Formula should be resolved in a manner consistent with any modification of the industry structure in Docket No. 19660.

RCA.—The ITT proposal seeks only to advance ITT's interest. ITT has an overage of $23.9 million as of October 1972, and RCA has an underage of $45.3 million. RCA says the cumulative overages and underages must be viewed in light of intentions at the time the Formula was prescribed. It asserts that the Formula reflects the pre-merger situation, in which WU Cables and ITT were closely allied with an extensive landline system, and have roughly equal proportions of in and out traffic, whereas RCA could never approach this position since it had no close affiliation with a landline system. RCA voluntarily gave up gateway quotas to Areas A and B, to rely on its own efforts. ITT, which has said it did not plan to open additional gateway offices, promptly did so and doubled its advantage, obtaining additional traffic and diminishing unrouted traffic in gateways. WUI received substantial Area C traffic for which it never had quotas, giving it overages and causing RCA to have underages. WU entered into solicitation practices for WUI in both gateways and hinterland, and WUI has a hinterland overage while RCA and ITT have deficits. ITT's position ignores its own cumulative overage, and it has failed to establish a cause and effect relationship for its contention. It has not been inhibited by the Formula. With regard to Schedule B, it was neither a gift to RCA nor a price for unanimity on the Formula submitted to the Commission. ITT did not oppose it in 1943, and RCA does not take a single unrouted message from ITT. Since RCA has a substantial deficit under Schedule B, it cannot be said to have been compensated for the inequalities intended to be removed by Schedule B. In summary, ITT's approach is an arbitrary one, and reflects none of the public interest considerations recognized as important by the Commission in 1943. RCA, with the heaviest deficit, would be the chief victim. The basic problem is one of not having a method to liquidate deficiencies, and any revision must recognize and account for them. ITT has failed to make a *prima facie* case.

WUI.—In the interest of expedition, any possible Formula revisions should be explored preliminarily by the interested carriers, using Section XI of the Formula, which provides for an International Formula Committee, as a vehicle. Such course could eliminate or minimize tedious formal hearings. WUI will not comment at this time on ITT's proposals, since it is preferable to explore them in the Committee, and, moreover, they are lacking in detail, and there is a question as to whether the showing made is adequate to warrant a Section 222 proceeding. In any event, such issues as free direct access and gateway city charges should be first resolved.

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French Cable.—As French is not a party to the formula, it made no comment either on ITT's allegations or on its recommendations. However, it did indicate its desire to participate in the resolution of the conflict.

TRT.—This company supports the ITT view that the Formula requires revision. It proposes the following changes:

1. that existing "overages" and "deficiencies" be eliminated;
2. that any carrier handling routed traffic to a foreign or overseas destination be eligible to handle unrouted traffic;
3. that each carrier be allocated a percentage of unrouted traffic tolls to each country or overseas destination in proportion to that carrier's share of the total routed traffic tolls to that country or overseas destination:
4. that in determining each carrier's share of the total routed traffic tolls only those tolls which are derived from messages originating outside the gateways be included;
5. that the percentages for each carrier and each country or overseas destination be determined annually for the latest complete year;
6. that the carriers report to the FCC the number and the tolls of all routed and unrouted messages to each country or overseas destination;
7. that the computation of the percentages and the verification of the reporting be the responsibility of the FCC;
8. that the IQB be dissolved.

TRT states that: The suggestion above that the unrouted traffic be allocated by country or overseas destination in proportion to the routed traffic for each carrier which is derived from messages originating outside the gateways would serve as an incentive for each carrier to maintain service quality and to be responsive to customer's requirements. Competition would be encouraged, and successes in innovation and providing more attractive service to the using public would be rewarded by increases in both routed and unrouted traffic. (Under the present quota system, increases in routed traffic have *negative* effects on unrouted traffic.) However, it is essential that tolls generated from messages originating within the gateways be excluded in calculating the amount of total routed traffic for each carrier so as to avoid undue preferences to the three larger U.S. international record carriers resulting from their favored gateway status. The suggested manner of handling unrouted outbound traffic has the advantages of simplicity and equity. It also provides for automatic updating of the percentage distributions annually. Furthermore, this method would not be affected by any changes in gateways, or hinterland direct access that the Commission might make in the future.

CPL.—CPL opposes the ITT proposal with respect to unrouted traffic distributed to Canadian carriers, arguing that it would violate Section 222(e)(1) in that CPL had an exclusive contract with Postal Telegraph, assumed by WU after merger, under which CPL received unrouted traffic to Australasia and the British West Indies, and, in return, transferred to Postal all inbound traffic from these areas to routes served by Postal. It states that the Commission, in adopting the Formula, agreed that WU should continue to transfer to CPL sufficient outbound traffic to these areas to maintain its percentage share in total routed and unrouted traffic to these points. The memorandum of understanding adopting the contract is still in existence, having been periodically renewed, so that CPL's pre-existing contract rights prevent the ITT proposed change. Moreover, equity could militate against a change, since CPL transfers traffic to WU. In addition, statements made by the Commission in its decision in the Formula in 1943, support continuance of the quotas.

CNR.—This Canadian company also opposes the ITT proposal and takes exception to the statement that any pre-merger contract with WU or Postal Telegraph can be now deemed to have been fulfilled. It believes the contractual obligations of WU are subsisting in law, and that its right to a quota continues subject to the same protection as those of other international carriers. In the alternative, it suggests that if the present Formula requires revision, any new Formula should not liquidate deficiencies without some compensatory equitable provision being made in favor of the carriers in a deficiency position.

9. In response to the more recent comments, ITT points out that the Commission has never reviewed the Formula, and asserts that none of the commenting carriers has pointed out a good reason for delay. It states that, although it had suggested specific remedies, it does not contend that no other remedy would serve the public interest. It questions the feasibility of the WU suggestion that all traffic be routed, (though it states that this is an ultimate objective or a reasonable objective), in view of the effort required to educate the public, and the tendency of WU employees to treat a specification of "WU" as a routing via WUI. It believes that TRT's proposal is more viable, insofar as it suggests that unrouted traffic be allocated in proportion to routed traffic. It characterizes the responses of others as obstructionist or dilatory. ITT says that the CPL–WU memorandum of understanding was extended without consideration by the Commission; that the overages and deficiencies referred to by RCA illustrate the need for a new Formula and do not represent commitments or obligations of any carrier; and that the WUI suggestion, that free direct access and additional gateways require prior resolution, is without merit.

DISCUSSION

10. The formula presently in effect was prescribed by us in 1943. While we believed at that time that the formula reasonably fulfilled the Section 222(e)(1) requirements, we have recognized that it might become outmoded with the passage of time. In fact, at the time we approved the divestment proposal of WU and American Securities Corp. we noted that

> [d]uring the period since [the merger], it has always been at least implicit in our administration of the formula that, in addition to being a device for an equitable distribution of outbound traffic, handled by [WU], among the international carriers, the formula as now written is an interim document designed to provide protection to the other international carriers against any favoritism on behalf of [WU's] cable system so long as such system is part of Western Union. 30 F.C.C. 323, 373–4 (1961).

In that proceeding we did approve amendments to the formula to reflect the fact that thereafter WUI (the divested WU cables division) would be an independent IRC with no connection to WU. However, since we noted that we had not been asked to overhaul the basic structure of the formula, we left that question to an appropriate proceeding. The matters set out in the instant petition and responses thereto, raise a substantial question as to whether the formula has kept pace with the developments in the industry since 1943. We agree that it is time, some 30 years later, to re-evaluate that structure in light of present realities. While we included this subject in Docket No. 19660, to be considered along with other matters, it appears that, at this time, a more intensive analysis should be given to the formula and possible revisions. Accordingly, we are instituting a special investigation into this matter.

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11. While we agree that the formula needs to be re-examined, we think that our inquiry should be broader than that requested in the ITT petition. Both TRT and WU have made alternative proposals which appear to us equally worthy of further consideration. Other interested parties, in view of our desire thoroughly to explore the question of formula revision, may wish to offer other proposals for our consideration at this time. So that the resulting revisions may best serve the public interest, we believe that, consistent with an expeditious resolution of this matter, we should consider all relevant views. We intend, therefore, that the investigation ordered herein should explore the whole matter without being tied to the proposals and views of any one party.

12. We note that ITT has acknowledged that its own views are not necessarily the only ones which will serve the public interest. ITT may well wish to review further its announced position in view of the alternatives advanced by the other parties. Some of the parties herein withheld comment on the merits of the ITT petition pending further formal action. Moreover, the parties have not commented on the WU or TRT proposals, which were submitted in response to the letter of May 25, 1973, from the Chief, Common Carrier Bureau.

13. Under these circumstances, the most expeditious course is to have the interested parties submit detailed and explicit written positions setting out the facts and other considerations (legal, policy, etc.) which are relevant to a decision on the several issues presented by the pleadings. We shall provide for responses thereto and replies. We believe that this proceeding is an appropriate one for the application of this approach. To the extent that an oral hearing is necessary or desirable, upon review of the submissions indicated above, we shall, of course, consider an appropriate request by any party, or take action on our own motion.

14. We have referred above (paragraph 11) to the possibility that other parties may wish to propose changes in addition to those suggested by ITT, TRT, and WU. Should this be so, any such party may, to the extent it believes our order herein otherwise precludes such submission, request an appropriate amendment of such order.

15. Accordingly, IT IS ORDERED, pursuant to Sections 4(i), 4(j), 201, 222, and 403 of the Communications Act of 1934, That an investigation is hereby instituted to determine whether the distribution of telegraph message traffic under the formula prescribed pursuant to Section 222(e)(1) of the Communications Act for the distribution of outbound international message traffic handled by The Western Union Telegraph Co. is unjust, unreasonable, or inequitable or not in the public interest and, if so, the nature of the amendments which the Commission should make thereto;

16. IT IS FURTHER ORDERED, that the investigation ordered herein shall include inquiry into the following issues:

(1) The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas.

(2) The nature, extent and reason for the existing overages and deficiencies in assigned quotas. In this connection, each carrier shall present full data with respect to its overages or deficiencies, by area and sub-areas, as of each year-end for the ten (10) years ending December 31, 1972, and an estimate for the year

ending December 31, 1973; as well as the totals, by area and sub-area, since distribution began under the formula.

(3) The present defects in the formula, pointing out with specificity the effect of each claimed defect not only on the respondent, but also on other international record carriers and on the quality of service provided to and the rates charged the using public.

(4) The specific amendments which should be made to the formula to remove each such defect, the effect each such amendment will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public.

In answering issues (3) and (4), attention should be directed to the proposals of ITT, WU, and TRT. Responses and replies will, of course, also be directed to any new matter which may be raised in the initial statements filed pursuant hereto.[13]

17. IT IS FURTHER ORDERED, That, to the extent provided for herein, the petition for rulemaking filed by ITT World Communications Inc. IS GRANTED and is otherwise DENIED in all respects;

18. IT IS FURTHER ORDERED, That ITT World Communications Inc., RCA Global Communications, Inc., Western Union International, Inc., TRT Telecommunications Corp., The French Telegraph Cable Co., The Western Union Telegraph Co., Canadian National Railway Co., Canadian Pacific, Ltd., and United States-Liberia Radio Corporation are hereby made parties respondent to the investigation instituted herein;

19. IT IS FURTHER ORDERED, That the International Formula Committee, including its staff the International Quota Bureau, is hereby made a party respondent for the purpose of furnishing such information that it may have within its possession or knowledge concerning the operation of the formula that may be required by the Commission for the resolution of this matter;

20. IT IS FURTHER ORDERED, That the following procedures will be followed in this investigation:

(1) Respondents shall file, and other interested persons may file, within sixty (60) days of the release of this Order, statements of fact and memorandums of law relative to the issues set out herein;

(2) Responses to initial statements shall be filed thirty (30) days after the statements are due, and replies to such responses shall be filed within fifteen (15) days after the filing of responses;

(3) All statements filed by a respondent, or other interested persons, shall be served upon all other respondents and all further pleadings shall be served on those respondents and all other persons filing statements herein;

21. IT IS FURTHER ORDERED, That the Commission will make such further orders herein as are necessary or desirable.

FEDERAL COMMUNICATIONS COMMISSION,
VINCENT J. MULLINS, *Secretary*.

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[13] We do not, however, think that a resolution of the issue raised by ITT with respect to redefining gateway concepts is a prerequisite to revision of the formula and do not propose to address it in this proceeding.

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FCC 74-565

BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

In the Matter of INTERNATIONAL RECORD CARRIERS' SCOPE OF OPERATIONS IN THE CONTINENTAL UNITED STATES, INCLUDING POSSIBLE REVISIONS TO THE FORMULA PRESCRIBED UNDER SECTION 222 OF THE COMMUNICATIONS ACT	Docket No. 19660 RM-690

MEMORANDUM OPINION AND ORDER

(Adopted May 30, 1974; Released June 10, 1974)

BY THE COMMISSION: COMMISSIONER QUELLO NOT PARTICIPATING.

1. By Memorandum Opinion and Order (Order) in the above-captioned matter released November 26, 1973, 43 F.C.C. 2d 1174, we instituted an investigation to determine whether the distribution by The Western Union Telegraph Co. (WU) to the international record carriers (IRC's) of outbound international message telegraph traffic under the formula prescribed pursuant to Section 222(e)(1) of the Communications Act is unjust, unreasonable, or inequitable or not in the public interest and whether the Commission should prescribe any amendments to such formula. The Commission has before it for consideration letters, all dated March 11, 1974, from RCA Global Communications, Inc. (RCA), Western Union International, Inc. (WUI), TRT Telecommunications Corp. (TRT), and ITT World Communications Inc. (ITT) which seeks an interpretation of our November 26 Order. RCA replied to the ITT letter on March 27, 1974.

2. In the above Order, we designated for investigation the following issues:

(1) The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas.

(2) The nature, extent and reason for the existing overages and deficiencies in assigned quotas. In this connection, each carrier shall present full data with respect to its overages or deficiencies, by area and sub-area, as of each year-end for the ten (10) years ending December 31, 1972, and an estimate for the year ending December 31, 1973; as well as the totals, by area and sub-area, since distribution began under the formula.

(3) The present defects in the formula, pointing out with specificity the effect of each defect, not only on the respondent, but also on other international record carriers and on the quality of service provided to and rates charged the using public.

(4) The specific amendments which should be made to the formula to remove each such defect, the effect each such amend-

> ment will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public.

We also directed the parties to file with us, within 60 days of the release of the Order, statements of fact and memorandums of law relative to the designated issues, which would set forth their respective positions on the defects in the formula, if any, the need for amendment, and any recommended changes.

3. The present request arises from a series of meetings between the IRC's, WU, and the staff which were convened at RCA's request to discuss RCA's contention that certain statistical data called for by the issues were unavailable.[1] After discussion, the parties appear to have agreed upon a plan whereby WU would collect the desired data and the participating IRC's would bear equitably the costs of the study. Some parties, most notably ITT, object to the delay in filing carrier comments which the proposed study will entail. By letter of April 11, 1974, WU stated that it can develop the computer program needed for the study in about two months and will be prepared to begin collecting data on July 1. ITT stated that while the data in question would be helpful, it did not believe they were necessary to respond to the issues and that the delay would therefore be unjustified.

4. Both RCA and WUI urge the necessity of the proposed study before the parties can respond to the issues. They argue that the issues require a statistical analysis of the manner in which international message traffic is presently distributed under the formula, broken down by carrier, area, and sub-area. The carriers say they lack the data to make these analyses because the data supplied by the International Quota Bureau (IQB)[2] are incomplete, in that they do not include any figures for messages transferred by WU to an IRC who is entitled under the formula to all unrouted traffic to a particular point. Further, they contend that the IQB data which do exist are distorted and thus unreliable. In support of this contention, RCA cites WU's practice of treating messages filed with a WU central telephone bureau as hinterland traffic even though the originating customer is located in a gateway city. Also, WU does not differentiate between routed and unrouted messages filed in those WU public offices which, under the formula, constitute WUI public offices. Finally, RCA notes that there is a discrepancy between the IQB figures and the totals the IRC's report in the annual reports filed under Section 43.61 of the Commission's Rules. The proposed study is necessary, they say, to provide accurate data from which to determine the effects on a given carrier of proposed changes in the formula. They contend that because of the hearing requirement in Section 222(e)(3)

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[1] ITT, RCA, WUI, and TRT were the IRC's who participated, while the others, who had no objection to the meetings, chose not to participate.

[2] The IQB is the operating arm of the International Formula Committee (IFC) and oversees the administration of the Formula. The IFC is a body composed of representatives of the IRC's entitled to quotas under the formula and was given the responsibility for administering the formula (subject to review by the Commission). The IFC, including the IQB, was made a party to this proceeding for the purpose of providing data within its files. Copies of the information supplied to the IRC's have been filed with the Commission and are part of the record in this proceeding.

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of the Act, the Commission cannot lawfully change the formula without information on such effects.[3]

5. ITT and TRT, on the other hand, take the position that the data which would result from the proposed study are unnecessary to respond to the issues and therefore object to the substantial delay which would be occasioned thereby. ITT contends that the issues do not require statistical analyses and that a qualitative approach would equally be appropriate. ITT does not contend that the Commission should ignore the quantitative effect of proposed amendments, but that such a determination is not a pre-requisite to carrier responses. If the Commission wants the data on quantitative effects for its own consideration of the formula question, ITT believes it should direct the parties to conduct the study but it contends that the Commission, rather than the parties, should perform the analysis. The study could thus be conducted parallel in time with the preparation of the carrier responses and substantial delay would be avoided.

DISCUSSION

6. The dispute considered herein arises from language in the designated issues which requires the parties to include certain statistical information with their comments. In framing the issues, we had assumed that an ample data base was readily available and that there would, therefore, be no problem in providing the requested information. Apparently, we were in error.

7. Our purpose was to elicit specific details of present and past distribution of traffic under the existing formula, or anticipated distribution under a revised formula, to assist us in a quantitative, as distinguished from a qualitative, evaluation of the present formula and of any proposed revisions. While it may be that such quantitative evaluation is not essential under Section 222(e) (3), it could be helpful, at least, to our understanding of the degree to which problems existed in the present formula, and the extent to which any revisions would result in a redistribution of traffic.

8. We think, however, that the proceeding can move ahead at this time on the basic qualitative questions, without prejudice to any respondent, and that the proposed WU study can proceed concurrently. As we stated in our November 26 Order, the gravaman of the ITT petition is that the quota system basic to the formula has been overtaken by events since 1943, so that present institutional and policy considerations require that the formula be revised. The others interested in the matter have previously commented in a vein which did not rest on precise quantitative analysis. We think that it would be most efficient for the parties now to address the issues using such statistical documentation as may be available from the IQB data as well as such additional data they may have in their possession.

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[3] WU also filed a letter, but it did not advance an adversary position since the overall formula question does not directly affect any WU interest. Rather, the stated purpose of this letter was to comment on two factual assertions in the RCA letter. First, WU does not agree to change its procedures to give IRC's the data they requested. Second, WU disagrees with RCA's statement that it had said the study would take "at least three months."

In the meantime, we believe that WU should proceed promptly with the study and present the results at the earliest possible time.[4]

9. We shall therefore require the parties to file, within three weeks of the release of this order, the statements and memorandums of law called for in our prior Order. Since the parties have been on notice of this inquiry for some time, this should allow sufficient time for preparation of the comments. We shall also order the parties, in view of the progress made in defining a statistical sampling procedure to supply data to complete that already available, to proceed immediately with the proposed statistical study, and to submit it to us promptly upon its completion. We shall thereupon make provision for the parties to file any necessary further comments, both on the study and to supplement the comments filed in accordance with this Order.

10. Accordingly, IT IS ORDERED, that the statements of fact and memorandums of law with respect to the issues designated in the above-captioned proceeding shall be filed with the Commission by all parties respondent within three (3) weeks of the release of this Order.

11. IT IS FURTHER ORDERED, that the parties filing the initial statements may file responsive comments within thirty (30) days after the statements are due and replies to such responses may be filed within fifteen (15) days thereafter;

12. IT IS FURTHER ORDERED, that The Western Union Telegraph Company shall conduct a study of outbound international message traffic, covering three consecutive one-week periods, according to the plan agreed upon by the parties at the meetings referred to herein and shall file such study with the Commission and the parties upon its completion;

13. IT IS FURTHER ORDERED, that ITT World Communications Inc., RCA Global Communications, Inc., Western Union International, Inc. and TRT Telecommunications Corp. shall bear the costs of the above study according to agreement between the carriers; and

14. IT IS FURTHER ORDERED, that upon filing of the completed study, we will take such further action and issue such further orders as will then appear appropriate.

FEDERAL COMMUNICATIONS COMMISSION,
VINCENT J. MULLINS, *Secretary.*

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[4] The position of RCA and WUI, if followed to its logical conclusion would preclude any revision of the formula from ever taking place if detailed data on past distribution were not available. Under Section XI of the Formula, the IQB is the responsibility of the several carriers participating in the Formula and, in view of the long pendency of the ITT petition, it appears that there was ample time for such carriers to have required that such data, now considered essential, be collected.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

FCC 75-617
35322

In the Matter of

International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act

Docket No. 19660
RM-690

MEMORANDUM OPINION AND ORDER

Adopted: May 28, 1975 ; Released: June 6, 1975

By the Commission: Commissioners Hooks and Washburn absent.

1. By Memorandum Opinion and Order (First Order) released November 26, 1973, in the above-captioned matter, 43 F.C.C. 2d 1174, we instituted an investigation to determine whether the distribution by The Western Union Telegraph Company (WU) to the international record carriers (IRC's) of outbound international message telegraph traffic under the formula prescribed pursuant to Section 222(e)(1) of the Communications Act, 47 U.S.C. §222(e)(1) (1971), is unjust, unreasonable, or inequitable or not in the public interest, and whether the Commission should prescribe any amendments to such formula. We further required that the parties respondent named therein file statements of fact and memorandums of law (comments) relative to the issues set out in our First Order. See 43 F.C.C. 2d at 1181-2.

2. Following the release of our First Order, and prior to the filing of the parties' comments, a controversy arose among the parties respecting an interpretation of the issues designated in our First Order. These questions concerned whether a study of the traffic distributed under the formula, which could be performed by WU, was necessary to address one or more of those issues; and, if so, whether the comments of the parties respondent should be postponed until such study had been completed. At the request of the parties we addressed those questions by Memorandum Opinion and Order (Second Order) released

June 10, 1974, 47 F.C.C. 2d 225. Therein, we determined that the WU study was appropriate and necessary to our full consideration of the issues in this proceeding and directed that WU should conduct a census study of all outbound international message traffic (both routed and unrouted) handled over its lines covering three consecutive one-week periods. See 47 F.C.C. 2d at 228. The study was to be performed on behalf of the interested IRC parties, and WU's costs for performing the study were to be borne by those IRC parties in such proportions as they should mutually agree upon. 1/

3. On the question of postponement of filing of comments required by our First Order, pending completion of the traffic study, the Commission determined that without prejudice to any respondents the proceeding could move ahead on the basic qualitative questions raised by our designated issues. Therefore, we ordered that initial comments be filed within three weeks of the release of our Second Order, 2/ with the WU study proceeding on a parallel and concurrent basis. We also expressed our intent, upon completion of the WU study, to make provision for the parties to file any necessary further comments, both respecting the study itself and to supplement previously-filed comments.

4. The Commission has now received the data from WU provided by the study; which study, we note, covered thirteen consecutive one-week periods (from the week ending December 7, 1974 through March 1, 1975, inclusive) although our Second Order required only a three-week study. WU also represents that these data have been

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1/ The parties, independent of the Commission, reached agreement among themselves and entered into an agreement with WU respecting the performance, timing, and cost of the subject study.

2/ This date was extended to July 8, 1974 at the unopposed request of one of the parties. Subsequently responsive comments were filed on August 15 and reply comments on September 16.

furnished to the interested IRC's and to the International Quota Bureau (IQB). Therefore, it now appears appropriate for the Commission to consider the question of further comments from the parties respecting the WU study.

5. We note that several parties in their initial comments reserved a position on one or more of the issues designated in our First Order, pending receipt of the WU traffic study data. Our Second Order provided that the parties could supplement the comments we therein required them to file upon receipt of the study results. See 47 F.C.C. 2d at 228. We have not received from the parties any request for further direction, but we believe that the most expeditious course is for us, on our own motion, to establish procedures for the filing of additional comments relative to the WU study and the results thereof.

6. Since the parties already have substantial background and expertise concerning the basic issue of this proceeding and the factual considerations germane thereto, and since the data for at least the first three study weeks--the study period required by our Second Order--has been available to the parties for analysis for several weeks, we are of the view that a period of four weeks from the release of this order will be adequate for further analysis of this data and preparation of such additional comments as the parties may wish to file, addressed to the WU study and to supplement their responses to the issues in this proceeding.

7. Accordingly, IT IS ORDERED that supplemental comments addressing the issues designated in the above-captioned proceeding, respecting the study of outbound international telegraph message traffic conducted by The Western Union Telegraph Company and the results of such study, may be filed by any party respondent on or before July 16, 1975.

8. IT IS FURTHER ORDERED, that parties filing supplemental comments may file reply comments to such

supplemental comments on or before July 31, 1975; and

9. IT IS FURTHER ORDERED, That on or before July 16, 1975, the IRC parties shall provide data to all interested parties and the Commission with respect to outbound international telegraph messages handled by each such IRC over its own collection facilities or filed directly with them by users over domestic communications networks (direct access) for at least the three consecutive one-week periods for which The Western Union Telegraph Company was ordered to gather data in the above study.

FEDERAL COMMUNICATIONS COMMISSION

Vincent J. Mullins
Secretary

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

FCC 76-192
39605

In the Matter of)
)
INTERNATIONAL RECORD CARRIERS' SCOPE OF) Docket No. 19660
OPERATIONS IN THE CONTINENTAL UNITED) RM-690
STATES INCLUDING POSSIBLE REVISIONS)
TO THE FORMULA PRESCRIBED UNDER SECTION)
222 OF THE COMMUNICATIONS ACT)

ORDER

Adopted: February 26, 1976; Released: March 5, 1976

By the Commission: Commissioner Hooks and Quello absent.

1. On January 7, 1976, we issued a Report and Order and Notice of Proposed Rulemaking in the above-captioned matter, FCC 75-1430, _____ FCC 2d ____, in which we (a) found the formula governing distribution by The Western Union Telegraph Co. (WU) among the international record carriers (IRCs) of outbound unrouted international message telegraph traffic (international formula) which we had prescribed in 1943 pursuant to 47 U.S.C. §222(e)(1) (1971), is unjust, unreasonable, inequitable and not in the public interest, (b) instituted an inquiry into the legal, economic and operational implications of placing distribution of such traffic on the basis of required customer routings 1/ and (c) pending outcome of the above inquiry, prescribed an interim distribution of outbound traffic (interim formula) to become effective upon repeal of the present international formula on March 1, 1976.

2. The Commission has before it for consideration the following petitions and motions, addressing the above Report and Order:

(a) A Petition for Reconsideration filed by Western Union International, Inc. (WUI) on February 11, 1976, seeking, inter alia, postponement of the effective date of the interim formula until January 1, 1977;

(b) A Petition for Stay filed by RCA Global Communications, Inc. (RCA) on February 11, 1976 seeking a stay

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1/ Our action herein will not affect that inquiry or the timetable for its prosecution set forth in the above Report and Order.

pending review of our Report and Order in the Court of Appeals; 2/ and

(c) A Motion for Extension filed by WU on February 19, 1976 seeking extension until March 21, 1976 of the date for implementing the interim formula in which WU states that it needs the extra time to complete modifications of its facilities and the augmenting and training of its personnel necessary to implement the interim formula. 3/

3. Under our rules, the filing of a petition for reconsideration does not itself suspend the effectiveness of a Commission order for which reconsideration is sought. *See* Section 1.429(k) of the Commission's Rules, 41 F.R. 1286, January 7, 1976. However, in the exercise of our discretion, we believe that the public interest will be best served by staying the effectiveness of our January 7 Report and Order until we have resolved the matters raised in the above petitions. In the first instance, we believe that WU has justified its request for additional time to prepare for implementing the interim formula and that the three-week period requested is reasonable. 4/ Beyond this, moreover, we believe that a stay will be conducive to the orderly resolution of the formula matter. In their respective petitions, both RCA 5/ and WUI raise specific challenges to our Report and Order which, because of the

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2/ RCA filed on February 13, 1976 a Petition for Review with the United States Court of Appeals for the Second Circuit, RCA Global Communications, Inc. v. FCC, Docket No. 76-4054, in which it seeks reversal of our January 7 Report and Order.

3/ Although not so denominated, both the WUI and the WU requests for postponement of the effective date of the interim formula procedurally amount to petitions for stay of our Report and Order and will be so treated.

4/ In view of our action herein, however, we need not act on the WU Petition at this time. If we have resolved the other matters discussed herein before March 21, 1976, there will be time to take appropriate action on that request. We expect WU to continue its preparations expeditiously so that it will be able to implement the interim formula without delay.

5/ The RCA Petition for Stay was opposed by ITT World Communications Inc. and TRT Telecommunications Corp. Since we are deferring action on RCA's petition we need not consider the arguments of the opponents until we consider that petition.

common subject matter, we believe should be considered together. However, because of the notice and comment provisions of Section 1.429(g)-(h) of our rules, we will not be able to act on the WUI petition before the March 1 effective date. Consolidated handling is particularly desirable in the present instance because RCA has sought judicial review of our Report and Order. Since RCA raised essentially the same matters before us in its Petition for Stay as those before the court in its Petition for Review, we believe it important that the court have the benefits of our consideration of those matters. Therefore, to allow WU additional time for its preparation and facilitate orderly review of our Report and Order, we will stay the effectiveness of our Report and Order pending resolution of the WUI and RCA petitions. 6/

4. Accordingly, IT IS ORDERED, on our own motion, that paragraphs 63 and 65 of the above-referenced Report and Order and Notice of Proposed Rulemaking are hereby STAYED until further order of the Commission.

FEDERAL COMMUNICATIONS COMMISSION

Vincent J. Mullins
Secretary

6/ We are acting here on our own motion and do not express any opinion on the merits of those petitions. If, after we have completed our review, we should deny RCA's Petition for Stay, we will allow it opportunity to seek a stay from the reviewing court.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
)
) Docket No. 6517
The Application for Merger of)
THE WESTERN UNION TELEGRAPH COMPANY)
and POSTAL TELEGRAPH, INC.)

COMPLAINT
of
ITT WORLD COMMUNICATIONS INC.
For Revision of the Formula for the
Distribution of Outbound International Traffic

ITT World Communications Inc. ("ITTCOM" or "Complainant"), by its Attorneys, files this complaint pursuant to §222 (e) (3) of the Communications Act of 1934, as amended, and respectfully alleges that the Formula for the Distribution of Outbound International Traffic handled by The Western Union Telegraph Company ("WU") as amended by formal Commission action[1], is unjust, unreasonable, inequitable and not in the public interest. Complainant hereby invokes the jurisdiction of the Commission to prescribe a Formula that will conform with the mandate of the statute.[2]

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[1] Western Union Divestment proceeding 30 FCC 323 at 386 (released March 6, 1961); 30 FCC 951 at 971 (Adopted June 1, 1961).

ITTCOM; ASSOCIATED CARRIERS; AND FORMULA COMMITTEE

ITTCOM, a Delaware corporation formerly named Mackay Radio and Telegraph Company, a common carrier subject to the Communications Act of 1934, as amended, is a wholly-owned subsidiary of American Cable & Radio Corporation, in turn wholly-owned by International Telephone and Telegraph Corporation. It is one of the carriers in the "AC&R Group" considered collectively as a single unit for quota purposes under the Formula (Art. II). The operations within the Continental United States of the other named AC&R carriers, All America Cables and Radio, Inc. and The Commercial Cable Company are now conducted by ITTCOM following an internal corporate reorganization for the purpose of simplifying the corporate complex of the AC&R communications operating system. Mackay Radio and Telegraph Company (California) was merged into Mackay Radio and Telegraph Company (Delaware) - now ITTCOM - at year end 1943.

Globe Wireless, Ltd. (Nevada corporation), a communications common carrier whose operations were interrupted during World War II, was not a party to the Formula. However, upon resumption of its service post-war the Committee of representatives of the interested international carriers charged with the supervision of the operations of the Formula (Art. XI "Administration") established a quota for Globe Wireless within the framework of Article VI relating to reestablishment of telegraph communication. Globe Wireless was acquired by AC&R in 1960 and has been recently merged into ITTCOM.

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[2] Separate Report of the Commission (September 27, 1943) on Formulas for the Distribution of International Traffic - 10 FCC 184 at 197; "We do not intend, however, that our findings and conclusions on the subject at this time shall preclude us from reexamining the matter at some future time, nor is that the intent of §222 (e), which specifically provides for review of the distribution of traffic in the future, upon complaint or upon the Commission's own initiative. Our conclusions at this time are necessarily a projection into the future based on evidence related to the past. Only continued experience under the formulas which we are now approving or prescribing can indicate to what extent future modifications may be required by equity and the public interest."

The Formula Committee provided for in Article XI has appointed a staff identified as the International Quota Bureau (IQB). This Bureau functions as the accounting arm of the Committee and also makes recommendations from time to time to WU for adjustments in the distribution of outbound unrouted traffic to the several sub-areas of destination to compensate for "deficiencies" in the fulfillment of "quotas". (Art. V (ii)).

THE QUOTA SYSTEM

In support hereof Complainant states:

1) Ten years ago the then Chairman of the Commission characterized the Formula as "seriously outmoded"[3].

2) Continued perpetuation of the present Formula in the light of the corporate changes, the introduction of new services and the application of improved operating techniques that have taken place during the

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[3] Former Chairman George C. McConnaughey: "If merger is not approved soon, this Commission must conduct formal proceedings to revise a formula adopted in 1943 prescribing the distribution of outbound telegraph messages among international carriers. This formula is seriously outmoded and has been the subject of numerous complaints to the Commission." -(Hearings in 1955 on Independent Offices Appropriations for 1956: House Appropriations Subcommittee, 84th Cong. 1st Sess. page 682)

past ten years "not only creates an anachronism"[4] but produces unjust, unreasonable and inequitable results. As the Commission said in the Divestment proceeding: "Artificial restraints, not justified on other grounds, appear to us to be inequitable. The ability of the carriers to obtain traffic should depend on the quality of their service, not on artificial restrictions imposed by the formula for the benefit of other carriers." (p. 374 of 30 FCC, par. 195).

3) When approving the WU/American Securities Corp. plan for the divestment of WU's cable operations, and prescribing certain amendments to the Formula, the Commission noted that there was no proposal before it to change the basic quota system in the Formula governing the distribution of outbound international traffic by WU (p. 372 of 30 FCC, par. 187). However, in prescribing certain Formula changes to accommodate the divested company, Western Union International, Inc. ("WUI") the Commission noted that: "What will happen in the future will, of course, depend on the competitive efforts and the effectiveness of the carriers. That, however, will be the natural and proper result of operating in a competitive society." (p. 382 of 30 FCC, par. 214). Complainant strongly urges that after 20 years of Formula experience, and with WU Divestment now accomplished, the time has come for a major overhauling of the present Formula, including the basic quota system.

4) The Formula established three basic geographical divisions of points of destinations: Area A (the Atlantic), Area B (Latin America),

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[4] Compare: WU Divestment 30 FCC 323 at 374, par. 194.

Area C (the Pacific) with sub-areas specified within each Area by countries or by groups of countries. The traffic is to be separated as between the areas of origin, namely, that originating in the so-called gateway cities, and that originating in the hinterland. The Formula was intended to provide, in general, that the international carriers (including Western Union Cable System) shall receive from the merged company (the survivor of the Western Union-Postal Telegraph merger) a sufficient number of unrouted outbound messages so that the gross international tolls to be received by them from all out-bound traffic they handled to each geographical sub-area will accord with their proportionate share of such tolls in 1942. As respects traffic for countries that had been closed to communication because of the War the quota base period upon resumption of communication is the last twelve months during which the international carriers normally handled traffic to the country or countries in question. The quota assigned for each of the major international carriers was intended to be satisfied by the combined volume of routed and unrouted messages transferred to each such carrier by the merged company, as well as by any messages which the international carrier itself originates over its own facilities. But there is an important and significant exception. Traffic originated by RCAC in the cities of New York, Washington and San Francisco, or from such origins filed with WU and routed RCAC, destined to Area A (Atlantic) and Area B (Latin America), does not enter into quota calculations for RCAC to these destinations.

5) The carriers were concerned that Western Union Cables, intended to be treated as a separate independent international carrier, might

exceed its quotas by virtue of its affiliation with the merged company. To guard against this possibility (but the provision was not so phrased as to be limited to Western Union Cables' excesses), the Formula provided that if any carrier should (by virtue of specifically routed and self-originated traffic) exceed its quota in a particular category or categories, the merged company should withhold from such carriers' quotas in other categories of traffic in order to balance the excess. This is the so-called equalization provision which the Commission described in its Separate Report in 1943 (10 FCC 184 at 194 as follows:

> "It is, therefore, provided that if a carrier entitled to a quota in any category of traffic receives specifically routed messages in excess of its quota, it shall surrender to the other carriers serving the geographical sub-area involved an amount of messages in other categories to balance the excess. This provision is necessary to require strict adherence to the instructions of the sender as to routing, but to prevent such adherence from destroying the effectiveness of a carefully balanced Formula for the distribution of traffic. The provisions herein described are reasonable and proper, and should aid in the impartial administration of the formula in the public interest."

6) As of June 30, 1964, the shares of outbound traffic which the various carriers are to receive under the provisions of the Formula

are fantastically out of balance. Reference is here made to Exhibit "A" annexed hereto[5]. The fact that extraordinary "overages" and "deficiencies" have occurred over the past 20 years can only mean that from the long range viewpoint, the Formula was incorrectly devised. And nowhere in the testimony at the hearings or in the Formula is it indicated how a deficiency which is continuous in nature is to be liquidated. Combining all overseas destinations to show a composite picture, the overall cumulative "overages" or "deficiencies" as of June 30, 1964 are as follows:

	OVERAGES	DEFICIENCIES
AC&R/Globe	$15,085,129	-
RCAC (Quota)	-	($12,874,419)
(Schedule B)		(11,658,562)
WUI	11,653,096	
All Others (including carry forward deficiency of defunct CPC)		(2,204,244)
TOTAL	$26,737,225	($26,737,225)

7) Since the quota percentages derived from the relative performance of the carriers in 1942, or earlier, apply generally to both routed and unrouted traffic (except as to RCAC for gateway traffic to Areas A and B) no unrouted traffic in the WU landlines pool will be available to a carrier if its quota is completely taken up in all categories by routed messages. To put it another way, the harder a given international carrier

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[5] RESULTS OF OPERATIONS UNDER THE INTERNATIONAL FORMULA FOR ALL INTERESTED CARRIERS FOR THE PERIOD OCTOBER 8, 1943 [when the Formula became effective] TO JUNE 30, 1964 IN TERMS OF GROSS INTERNATIONAL TOLLS OVER OR (SHORT) COMPARED WITH QUOTAS.

works to have messages routed over its facilities by sender's "Via" the less likely it is to receive a share of the unrouted traffic which, whatever the quantity thereof, will always be available from the WU landlines pool. But, as stated, to the extent that its quota is satisfied fully by routed messages, provisions for the division of unrouted traffic become academic in its case.

8) Experience over the past 20 years under the Formula have produced many anomalies which the authors of the Formula certainly could not have foreseen.

9) Two of the major carriers, AC&R and WUI, have gateway quotas to Areas A (Atlantic) and B (Latin America) but RCAC does not. In the absence of gateway quotas RCAC's quota "deficiencies" from the hinterland to Areas A and B earn unrouted traffic and are not reduced to any extent by gateway "overages". On the other hand, many of AC&R's - and WUI's - hinterland "deficiencies" which would earn unrouted traffic are either wiped out or reduced by gateway "overages".

10) It is axiomatic in the international telegraph communications business that the availability of traffic in one direction is an important souce to a carrier for developing a return flow of traffic in the opposite direction where competitive forces can normally function. Without unrouted outbound traffic a carrier cannot explore and develop the market that produces such unrouted traffic or enjoy from the outbound unrouted traffic a participation in the return or inbound traffic which the outbound traffic generates.

11) A recent study, based on message statistics for the year

1963, of one significant area where ITTCOM is presently fortunate to enjoy 100% of the unrouted traffic namely, Central America, disclosed that close to 40% of the total industry traffic from the U.S. hinterland is unrouted. Assuming that close to 40% of the industry traffic from the U. S. hinterland to all overseas points is unrouted, it is estimated that only 26.28% of total unrouted traffic from the U. S. hinterland to all overseas points accrued to ITTCOM.

12) As indicated above, a carrier is in an "overage" position when all of its "received" traffic (pickups and transfers) exceeds its quotas. This, however, does not apply to RCAC whose gateway traffic to Areas A (Atlantic) and B (Latin America), regardless of volume, are not reportable to the I.Q.B. for inclusion in the computation of "overages" and "deficiencies". RCAC thus has an advantage assuming its gateway traffic represents greater participations than RCAC experienced in the base year of 1942 or prior thereto.

13) Basic quotas from the Continental United States to the sub-area United Kingdom and Eire - within the larger Area A (Atlantic) - were based upon participations for the year 1942, as follows:

AC&R	26.5%	
RCAC	1.1%	(gateway traffic excluded)
WUI	72.4%	
Total	100.0%	

Both AC&R and RCAC are "over quota" in traffic to the United Kingdom and Eire whereas WUI shows a substantial "deficiency" (Exhibit "A" annexed). As a consequence WUI receives ALL unrouted traffic from USA to this important sub-area. AC&R in refusing to be frozen at the very low

participation of 26.5% has competitively solicited for routed traffic and as a consequence has created "overages" which deprive it of any share of unrouted traffic to United Kingdom and Eire.

14) Quotas from the Continental United States to "South America" were based upon participation for the year 1942, as follows:

AC&R	61.0%	
RCAC	1.7%	(gateway traffic excluded)
WUI	37.3%	
Total	100.0%	

WUI receives ALL unrouted traffic from USA to "other South America" where it has a substantial "deficiency" (Exhibit "A" annexed). This is different from the case of United Kingdom and Eire above where WUI had the lion's share of traffic during the historic base year and is also receiving ALL unrouted traffic to that Atlantic sub-area.

15) Considering the Pacific-Area C- where RCAC's self-originated or routed gateway traffic is part of quota calculations - basic quotas for the twelve months ended November 30, 1941 - Continental USA to Japan -are as follows:

AC&R	33.5%	
RCAC	66.5%	(gateway traffic included)
Total	100.0%	

WUI is not entitled to unrouted traffic under the present Formula but is entitled to routed traffic which it solicits. AC&R, for Japan, on I.Q.B. records shows a cumulative "deficiency" of $849,714 and RCAC a cumulative "deficiency" of $2,657,610. WUI shows a cumulative "overage" of $3,173,679.

Since both AC&R and RCAC show "deficiencies" for Japan, it would appear that AC&R should receive some share of the unrouted traffic to Japan of whatever origin - gateway or hinterland. But this is not so. Recommendations by the I.Q.B. to WU for the distribution of unrouted traffic to Formula sub-areas to which two, or more, carriers are "deficient", seek to maintain such carriers in proportionate "deficiency". This relationship is ascertained, month to month, by dividing each carrier's cumulative "deficiency" in gross international tolls by the quota, the resulting quotient reflecting the month(s), or part thereof, by which each carrier is "deficient". This is the yardstick which prevents ITTCOM from receiving some share of the unrouted traffic for Japan. Until adequately corrective measures are taken for distribution of unrouted traffic from the United States to Japan ITTCOM can never hope to enjoy reasonable competitive equality with RCAC in the direction Japan to the United States.

17) Complainant recommends that:

a) All existing "overages" and "deficiencies" be cancelled.

b) To any given destination, WU shall distribute unrouted outbound overseas and international traffic equally among the U.S. international carriers able to carry such traffic out of the country.

c) As regards the Canadian carriers receiving outbound unrouted U. S. traffic for overseas destinations, any pre-merger contracts with WU or Postal Telegraph which gave rise to the assignment of quotas to such carriers (Separate Report: 10 FCC 184 at 192) can certainly be deemed to have been fulfilled over the past 20 years.

d) Without regard to the distribution of unrouted traffic, routed traffic shall be transferred by WU to the U. S. international carrier of the sender's choice if it can carry the traffic out of the country.

e) Traffic designated as self-originated (or gateway pickups) by the U. S. international carriers shall have no relationship to the distribution of outbound unrouted traffic.

SCHEDULE B OF THE FORMULA

18) Prior to the merger in 1943 of WU and Postal Telegraph the Cable Division of WU had used the extensive domestic landline system of that Company for the collection and distribution of its international traffic. The AC&R (ITT) Companies generally operated under exclusive agreements with Postal Telegraph whereby they transferred all of their unrouted inbound traffic to Postal for inland delivery and received from Postal all unrouted outbound traffic originating with it. RCAC and Western Union (i.e., the landlines system) had similar exclusive arrangements for the exchange of transpacific radio traffic (20-year agreement commencing April 11, 1924).

19) By Agreement dated September 22, 1931 RCAC was obligated to transfer to WU for delivery inland by WU all of its inbound traffic destined for points outside of New York, Boston, Washington and San Francisco. WU not only agreed to accept at its offices outside those cities messages routed RCA by senders and to transfer the messages so routed to RCAC, but also to transfer sufficient unrouted messages to RCAC (out of those accepted by Western Union offices) to give RCAC an over-all ratio of 2 outbound messages for each 9 inbound messages received by RCAC and transferred to WU for inland delivery. Transpacific traffic was, of course, excluded from this arrangement. Although this quota of 2 for 9 included messages picked up by WU which were routed RCA, its obvious effect was that the more messages RCAC handed over to WU for delivery, the more outbound unrouted international traffic would (if necessary) be transferred to it by WU to help decrease the great discrepancy between RCAC's inbound and outbound traffic.

20) RCAC in 1943 felt that it suffered a handicap and a competitive disadvantage in that it did not as one of the major international carriers have a domestic distribution system available to it similarly as the other carriers. Since it turned over a much greater volume of inbound traffic to WU than it received outbound to Areas A (Atlantic) and B (Latin America) it insisted that unless due weight was given to this imbalance it would not agree with the other carriers on a Formula. Because of this situation and the existence of the 2 for 9 1931 contract, a special quota agreement was made between Western Union Cable Division and RCAC and

approved by the Commission (10 FCC at 190). Under this special agreement a substantial amount of available traffic is diverted from the Western Union Cables - now the divested company WUI - quotas to points in the sub-areas, Continental Europe and Beyond the Continent - within the larger Area A (Atlantic) to which communication was available in the base year of 1942.

21) Schedule B states at the outset that it "constitutes an arbitrary compromise agreed upon by Western Union Cables and RCAC". Schedule B obviously provides for the making of a substantial "gift" by Western Union Cables - now WUI - (through Western Union landlines), to RCAC. Clearly, it was the price paid for unanimity on the Formula submitted to the Commission by the carriers. The AC&R Group did not receive similar special treatment. Even though the operations under Schedule B show that RCAC has substantial "deficiencies" to Continental Europe ($3,605,347) and to Beyond the Continent ($8,082,461) - see Exhibit "A" annexed - there can be little doubt that the injustices or disadvantages which RCAC claimed from 12 years pre-merger operations under the 1931 contract have been materially compensated for during the past 20 years of post-merger operations. RCAC is the only carrier which handles unrouted traffic for the sub-areas for which quotas are allocated to RCAC from the WUI shares in accordance with Schedule B. Since current realities do not correspond to the historic situation, Schedule B is an anachronism and should be cancelled.

GATEWAYS

22) Section 222 (a) (5) in defining "Domestic Telegraph Operations" provides that nothing therein

> "***shall prevent international telegraph carriers from accepting and delivering international telegraph messages in the cities which constitutes gateways approved by the Commission as points of entrance into or exit from the Continental United States, under regulations prescribed by the Commission, and the incidental transmission or reception of the same over its own or leased lines or circuits within the continental United States". (emphasis supplied)

Prior to June 30, 1942 RCAC and Mackay Radio maintained their own offices in several cities in the United States not only for the pickup and delivery of overseas traffic but also for the handling of inter-city domestic communications. By Order of the Board of War Communications and as a war-time measure (for purposes of censorship) these carriers were required to discontinue operations in cities other than New York, Washington and San Francisco. Since these carriers conducted operations at the time of merger hearings in 1943 in only the three cities above named, such cities became identified or frozen as the gateway points wherein such carriers would not be required necessarily to rely on the pickup and delivery facilities of WU for the handling of international traffic. Western Union Cables did not have a "gateway" position in San Francisco but in the amendment of the Formula in the Divestment proceeding, WUI was given "gateway" status in the main office of the merged company in San Francisco and one other office of the merged company located in the central business section of San Francisco in the general vicinity of the offices operated by AC&R and RCAC, to be designated by WUI (30 FCC at 387).

23) Twenty years ago the domestic terminals (San Francisco and New York) of the radio or cable circuits of the major carriers were the points of entry or points of exit at which telegraph messages were handled in "hard copy" form. With the advent of new operating techniques in recent years - automatic switching - the point of entry or exit of a message in transmissible or deliverable form is or can be the point of destination or origin or an intermediate point in the hinterland, beyond the domestic terminals of the overseas cable or radio circuits.

24) Complainant recommends that, upon revision of the Formula to abolish gateway quotas and to distribute unrouted traffic filed with WU equally among carriers as hereinabove proposed, the specification of presently named "gateway" cities be not so limited as to exclude opportunity to the international carriers to establish new so-called "gateway" cities wherein they may establish their own offices for directly serving the public. It is recognized that in any such case the international carrier would file an application under Section 214 of the Act and undertake to meet the requirements thereof for extension of service to other points in the Continental United States.

The foregoing allegations with respect to "The Quota System", "Schedule 'B'" and "Gateways" as set forth in the Formula are not intended to limit the scope of the Commission's reconsideration and review of the Formula. It should be reexamined in its entirety and such remedial action taken as will produce a Formula that meets the statutory standards under present day conditions.

Respectfully submitted,

John A. Hartman, Jr.

John F. Gibbons

William A. Kelleher

Edward J. Madden

Attorneys for
ITT WORLD COMMUNICATIONS INC.
67 Broad Street
New York, N. Y. 10004

Dated: New York, N.Y.
November 25, 1964

CERTIFICATE OF SERVICE

I, Josephine A. Martinucci, do hereby certify that I have this day, November 25, 1964, served the foregoing "Complaint of ITT World Communications Inc., For Revision of the Formula for the Distribution of Outbound International Traffic" upon the following Communications Carriers by mailing a true and exact copy thereof by United States mail, postage prepaid, to the names and addresses below:

Chief, Common Carrier Bureau
Federal Communications Commission
Washington, D. C. 20554

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Fred N. Oliver, Esq.
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Canadian National Railway Company
47 Bay Street
Toronto, Ontario, Canada

Canadian Pacific Railway Company
204 Hospital Street
Montreal, Quebec, Canada

The French Telegraph Cable Company
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Press Wireless, Inc.
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United States-Liberia Radio Corp.
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Akron, Ohio

International Quota Bureau
13 South William Street
New York, N. Y. 10004

Josephine A. Martinucci

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

The Application for Merger of
THE WESTERN UNION TELEGRAPH COMPANY
and POSTAL TELEGRAPH, INC.

DOCKET NO. 6517

STATEMENT
of
THE WESTERN UNION TELEGRAPH COMPANY

GENERAL

1) The Complaint of ITT World Communications Inc. (ITT) for Revision of the Formula for the Distribution of Outbound International Traffic (Formula) is divisible into two parts, the first dealing with the present quotas and with Schedule B, and the second dealing with the gateway cities.

2) Since the divestment of its international operations, Western Union's concern with this Formula, or with any revision thereof, is more limited than it formerly was. In broad outline, Western Union's present interest lies in:

(a) The establishment of provisions that are sufficiently clear and explicit so that Western Union may readily determine the identity of the international carrier to which to transfer traffic, routed and unrouted, and the means by which interpretations of the Formula or disputes as to which carrier is entitled to traffic may be readily determined; and,

(b) The establishment of provisions which do not adversely affect Western Union's position as the domestic or landline carrier of record communications.

A. The Quotas and Schedule B (Paras. 1-21)

3) Paragraphs 1-21 of the Complaint and the recommendations contained therein deal primarily with the rights of the international carriers to traffic to particular areas and primarily affect the international carriers. It is presumed that they will make their views known to the Commission.

4) Western Union's primary interest here is in the establishment of clear and explicit procedures which will cover all problems relating to the distribution of international traffic in such manner as to enable Western Union safely to determine the identity of the carrier to which traffic is to be transferred.

5) It is noted, however, that in Paragraph 17 there is no provision for the distribution to be made by Western Union of (a) international message traffic specifically "routed" via one of the Canadian carriers and (b) international message traffic which has been specifically "routed" via a United States international carrier which cannot carry such traffic out of the United States.

6) If the Commission should determine that the public interest requires the revision of the Formula, then there should be appropriate provision covering the matters set forth in Paragraph 5 above.

7) Additionally, consideration should be given to the fact that from time to time there are changes in Western Union's operating procedures and methods brought about by modernization, mechanization or other means for the purpose of attaining greater efficiency in Western Union's own operations. When such does occur--or when other presently unforeseen contingencies evolve--questions may arise as to which of the international carriers is entitled to message traffic affected by such happenings. In such event, Western Union should not be placed in a position where disagreements between any of the international carriers as to routings, quotas, etc., should be permitted to affect, adversely, such plans as Western Union has for greater efficiency in its operations.

8) It would be inequitable and contrary to the public interest to require Western Union either to forego the

making of such changes or, in the alternative, to interpret, at its own risk, the Formula and to distribute traffic in accordance with such interpretation thus leaving itself open to possible claims for liability in connection therewith.

9) The ideal solution would be to procure the consent of all carriers to any interpretations that might be necessary. Cold practicality, however, impels the conclusion that such procedure is unworkable except in isolated cases. It is necessary, therefore, that any revised Formula contain appropriate provision whereby such matters can be quickly and finally determined.

B. The Gateways (Paras. 22-24)

10) ITT proposes that the Commission prescribe a revised Formula which will contain appropriate provisions so that "the specification of presently named 'gateway' cities be not so limited as to exclude opportunity to the international carriers to establish new so-called 'gateway' cities wherein they may establish their own offices for directly serving the public." (Para. 24). In brief, ITT wishes to be able to encroach on the area of domestic operations in the guise of the furtherance of international operations.

11) But, since the merger of Western Union with Postal, the international policy has been that there should be a separation of the international and domestic fields. In

furtherance of that policy, Western Union has divested itself of its international operations. The effect of the ITT recommendation is that the Commission permit, and indeed even encourage the encroachment of the international carriers into the domestic field by providing the means whereby the international carriers may open offices at such locations and in such hinterland cities as they may choose. The readily discernible purpose is to enable such carriers to scoop the landline haul. It is quite apparent, however, that the very policy which has required that the domestic telegraph carrier refrain from participation in the international field also requires that the international carriers refrain from participation in the domestic field.

12) The position taken by ITT directly and adversely affects Western Union's landline operations and brings into play the second general principle referred to in Paragraph 2 above.

13) Over the years, the international carriers have vigorously opposed the continuance or the entrance of domestic carriers into the international record communications field and have steadfastly maintained that this field should not be subject to encroachment. To illustrate, the international carriers were largely responsible for the enactment

of the divestment provisions in the merger legislation (Section 222 of the Communications Act, as amended). They opposed vigorously and successfully Western Union's attempt to extend its domestic telegraph service to the State of Hawaii and after years of persistent effort brought about a limitation on AT&T's participation in the international record field.

14) As a result of these efforts, the international carriers have been successful in their efforts to keep the international record communications field separate from the operations of the domestic telegraph carriers. But, surely, as a concomitant the domestic telegraph field must be kept separate from the operations of the international telegraph carriers.

15) Over the years, Western Union has protested, in a variety of proceedings, against attempted encroachment. The Commission, on a number of occasions, and most recently in an Order issued in connection with an Application of Mackay Radio and Telegraph Company, Inc., File No. T-C-1771, released April 30, 1964, Mimeo 50697, has stated that it does not find any support in statutes or decisions or rules or regulations of this Commission for a contention that Western Union is the sole domestic telegraph carrier.

16) However, in the same Order, the Commission also stated:

> "IT FURTHER APPEARING, that since the Western Union Telegraph Company has been divested of its international telegraph operations, it is reasonable that such Company should not be subjected to encroachment by the international telegraph carriers on its provision of telegraph service between points in the United States and points in Mexico that did not exist prior to such divestment;"

17) Certainly, the policy so enunciated would militate against the establishment of additional gateway cities. Clearly, the sole purpose would be to establish offices in such cities in those locations where there was a concentration of business. To do so, would further drain off relatively profitable segments of the business and would still leave Western Union with the obligation of terminating business in those areas where the international carriers did not choose to serve. It is well known that volume is an important element in determining the cost of originations and terminations, and to allow the selectivity sought by ITT is in derogation of the common carrier principles.

18) Should the Commission determine that it is in the public interest to revise the Formula, Western Union recommends that such revised Formula contain appropriate provisions which would limit the gateway cities to the existing

recognized points of interchange between the domestic carrier and the international carriers, namely, New York, San Francisco, Miami, New Orleans and Akron for the respective international carriers presently operating in each of those cities; and which would further require the international carriers to divest themselves of offices independently operated and maintained in such cities and to utilize the facilites of Western Union for such terminal operations. In doing so, the Commission would be acting in furtherance of the principles which the international carriers themselves have steadfastly maintained, i.e., that there should be a separation of domestic and international telegraph operations. It would end, to a large extent, the presently prevailing practice of scooping the domestic portion of the international toll through the maintenance by the international carriers, of offices in areas where business is concentrated and it would provide a perfectly feasible means of operation by the international carriers. It will be recalled that at the time of the approval of the merger of Western Union and Postal, and the prescription of the Formula, that there were "problems arising from uneconomic duplication of pickup facilities by the merged company and the international carriers," (10 FCC 184, 189). These problems have not disappeared with the passage of time. Further, in approving the Formula, the Commission stated that the quota provisions diminish "the necessity for these carriers "to build up additional facilities for the collection of their own traffic, in duplication of the existing facilities of the merged company. These savings should contribute to a more efficiently and economically operated international telegraph system." (Id. at 191).

19) The objective sought to be achieved by the Commission in 1943 has not been achieved. Nonetheless, the principles enunciated in 1943 are valid and it would be proper and consistent with the public interest to renew the attempt to achieve such objective.

Respectfully submitted,

JOHN H. WATERS,

WILLIAM E. SEWARD,

Attorneys for THE WESTERN
UNION TELEGRAPH COMPANY,
60 Hudson Street,
New York, N.Y. 10013

Dated: New York, N.Y.
February 19, 1965

CERTIFICATE OF SERVICE

I, Bonita Militello, do hereby certify that I have this day served the foregoing "Statement of The Western Union Telegraph Company" upon the following Communications Carriers by mailing a true and exact copy thereof by United States mail, postage prepaid, to the names and addresses below:

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Federal Communications Commission
Washington, D.C. 20554

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Canadian National Telecommunications Company
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Canadian Pacific Railway Co.
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The French Telegraph Cable Company
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Press Wireless, Inc.
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International Quota Bureau
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BONITA MILITELLO

Dated: New York, N.Y.
February 19, 1965

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

THE INTERNATIONAL FORMULA

Complaint for Revision of the Formula
for Distribution of Outbound Telegraph
Traffic Pursuant to Section 222(e)(3)
of the Communications Act of 1934, as
amended.

RM-690

COMMENTS OF RCA COMMUNICATIONS, INC.

In response to the Commission's letter of December 8, 1964, RCA Communications, Inc. (RCA) submits the following comments on the Complaint of ITT World Communications Inc. (ITT) for revision of the International Formula for distribution of international message traffic.*

The Formula was prescribed by the Commission in 1943 and amended in 1961, pursuant to Section 222 of the Communications Act of 1934, as amended. On each occasion the Commission found that the Formula and the amendments it prescribed were just, reasonable, equitable and in the public interest. Separate Report of the Commission on Formulas, 10 F.C.C. 184(1943); Western Union Divestment, 30 F.C.C. 323, 951 (1961).

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* The reference to ITT World Communications Inc. herein also includes the American Cable & Radio Corporation and its operating subsidiaries as that term is used in the Formula.

The proponent of Formula revision has the burden of showing that the existing Formula is unjust, unreasonable, inequitable, and not in the public interest. Section 222(e)(3) of the Communications Act provides that before the Formula may be revised, the Commission must find "after a full hearing . . . that any such distribution of telegraph traffic among telegraph carriers . . . which is being made . . . is . . . unjust, unreasonable, or inequitable, or not in the public interest." In that event, "the Commission shall by order prescribe the distribution of such telegraph traffic, . . . which shall be just, reasonable, equitable, and in the public interest, and will be, so far as is consistent with the public interest, in accordance with the existing contractual rights of the carriers."

In its Separate Report on the Formula, 10 F.C.C. 184, 189 (1943), the Commission stated as follows:

> "In arriving at a formula which is just, reasonable, equitable, and in the public interest, consideration should not be limited to a single factor which may favor one particular set of interests or another. Weight should be given to the equities as between

> the various carriers, and to the interest of the public in maintaining the strength and service of all carriers which are in a position to render efficient economical service, or, in the terms of section 1 of the Communications Act of 1934, to the development of 'a rapid, efficient, . . . and world-wide wire and radio communication service with adequate facilities at reasonable charges for the purpose of the national defense,' and for other designated purposes."

ITT has not demonstrated that the Formula is unjust, unreasonable, inequitable, and not in the public interest. Its proposals for revision of the Formula have not been developed in light of any significant public interest considerations.

I.

ITT HAS NOT ESTABLISHED THAT THE EXISTING FORMULA IS UNJUST, UNREASONABLE, OR INEQUITABLE, OR NOT IN THE PUBLIC INTEREST.

ITT states that cumulative traffic distribution is "out of balance" and that no adequate method is provided to liquidate past deficits. However, the Formula does provide a limited method of doing so in that past deficits are taken into account in determining current distribution percentages. ITT's proposal to eliminate all overages and deficits would take away even this limited method.

The Quota System - It is not too difficult to comprehend ITT's plea that the Formula should be amended by eliminating past deficiencies of other carriers when it is realized that ITT has exceeded its own quotas by $15.5 million. A summary of the present situation of traffic quotas under the Formula and Schedule B is shown by the following statement of cumulative overages and deficits as of October 31, 1964:

(Millions of dollars; parenthesis denotes deficits)

	ITT*	RCA**	WUI	Tropical
Gateway Origins				
A	13.2	(11.4)	(1.7)	-
B	1.4	-	(.9)	(.3)
C	4.6	(9.1)	6.0	-
	19.2	(20.5)	3.4	-
Hinterland Origins				
A	(2.4)	(1.1)	3.6	-
B	(1.5)	(.1)	1.2	.3
C	.2	(3.2)	3.7	-
	(3.7)	(4.4)	8.5	-
Combined Origins	15.5	(24.9)	11.9	-

These cumulative overages and deficits must be viewed in light of the intentions of the Commission and the Formula negotiators at the time the Formula was prescribed. RCA's representative at the 1943 Formula hearings, described the then existing situation as follows:

> ". . . the proposed base quotas of out-bound traffic of both Western Union and the I.T.& T. System reflect the results of a long and close affiliation with an

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* Includes Globe.

** Includes Schedule "B." RCA's "quota" from the gateways to Area A is derived only from Schedule "B."

> extensive landline system feeding both those groups of carriers. The proportions of in and out traffic in the case of Western Union and the International System are roughly equal. RCAC, on the other hand, due to its lack of affiliation with any extensive landline system, was never able to approach this position. Over its entire history it has been forced to accept whatever arrangement the landlines chose to offer." (Docket No. 6517, Tr. 3427-28).

The Commission pointed out in its Separate Report in the Formula:

> "RCAC, however, prefers to use its existing facilities in New York City, Washington, and San Francisco to compete with the other carriers for out-bound trans-Atlantic and Latin American traffic originating at those points. Accordingly, it has no quotas for such traffic. Similarly, the traffic to be transferred to RCAC under the adjustment between it and the Western Union cable system is to be traffic which originates at points in the United States where RCAC has no offices. These provisions properly reflect existing differences between the operation of RCAC and the other international carriers." (10 F.C.C. 191)*

This only means that RCA voluntarily gave up rights to receive unrouted traffic to these points relying instead on its own competitive efforts.

ITT which in 1943 operated only three branch offices declared that their "present plan is not to open up any future offices."

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* Emphasis added throughout.

(Docket No. 6517, Tr. 3442-43). Nonetheless, ITT, after receiving the full benefits of sharing in unrouted traffic originating in the gateways, proceeded to double its advantage by opening up numerous additional branch offices in the gateways.

The reasons for this out-of-balance situation are self-evident in light of this history and subsequent developments since the Formula was prescribed:

1. ITT, after obtaining rights under the Formula to a full share of unrouted traffic from gateway cities to Areas A and B, established many branch offices in such gateway cities. This resulted in ITT obtaining a substantial unintended quantity of directly filed traffic and a further diminution of unrouted traffic in the gateways. It has a cumulative overage of $19.2 million from the gateways to all areas.

2. Western Union International, Inc. (WUI)*has received substantial traffic destined to Area C (Pacific) for which it never had quotas resulting in cumulative overages to WUI of almost $10 million. Mainly for this reason RCA has a cumulative deficit of over $12 million for traffic destined to Area C.

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*The reference to WUI will also include the former international telegraph operations of The Western Union Telegraph Company (Western Union.)

3. Over the years, Western Union instituted various solicitation practices both in the gateway cities and the hinterland on behalf of WUI. See American Cable & Radio Corporation et. al. v. The Western Union Telegraph Company, F.C.C. 60-710 (1960). In the hinterland, WUI's cumulative overages is in excess of $8 million while RCA and ITT each have cumulative deficits of approximately $4 million.

Essentially ITT's complaint concerning the quota system under the Formula rests on the proposition that the "harder a given international carrier works to have messages routed over its facilities by sender's 'Via' the less likely it is to receive a share of the unrouted traffic." However, ITT ignores its cumulative overage of $15.5 million. It has certainly received a large bonanza in the presence of the Formula.

ITT has also failed to demonstrate a cause and effect relationship for its contention. It states that with respect to traffic destined to the United Kingdom and Eire, ITT refuses to be "frozen" at the very low participation of its quota of 26.5 percent.

To Central America, by contrast, ITT points out that it is "fortunate to enjoy" 100 percent of the unrouted traffic. Despite having the benefits of all such unrouted traffic to Central America since 1948, its participation has in fact declined by approximately

25 percentage points, as shown by the following table,

	Base Year 1942	Jan.-June 1964
ITT	75.0%	50.8%

ITT also makes the erroneous claim that RCA has an advantage because it receives no unrouted traffic destined to Areas A and B under the quota system. Whatever traffic RCA secured in the gateways clearly resulted from its own efforts rather than from Formula quotas.

In examining the operations of quotas under the Formula, clearly ITT has not been inhibited by the Formula since it has substantial cumulative overages for traffic destined to all sub-areas in Areas A and C.

Schedule B - ITT erroneously labels Schedule B as a "substantial gift" to RCA and proposes that it be cancelled. ITT asserts that Schedule B was the "price paid" for unanimity on the Formula submitted to the Commission. These claims are captious and without foundation or merit.

Schedule B provided for the transfer of certain traffic to RCA out of WUI's quotas, and was approved by the Commission because it tended to neutralize the "inequalities" to RCA. The Commission stated in its Separate Report on the Formula:

> "The Western Union cable system and the IT&T, companies have had a more advantageous position than RCAC with respect to out-bound traffic because of exclusive arrangements with the domestic landline systems.
>
> * * *
>
> "This [Schedule B] serves the public interest in having direct communication with foreign points, since the messages thus transferred would have to be relayed at intermediate points if handled by cable, but can be handled by radio directly to destination. In addition, the United States international communication system as a whole is financially benefited, because RCAC generally retains a larger portion of the toll on these messages than Western Union would retain." (10 F.C.C. 188, 190-191.)

The ITT representative at the Formula hearings assured the Commission that ITT was "neutral" with respect to Schedule B, and that if approved by the Commission, Schedule B "would be acceptable" to ITT. (Docket No. 6517, Tr. 3437.) There was never any indication in the hearings or in the Commission's Separate Report on the Formula that there was any dispute with ITT concerning Schedule B.

Schedule B does not cost ITT a single unrouted message.

ITT continues to receive residual benefits from its former "extensive landline system" and to profit from its participation in unrouted traffic originating in the gateways despite the subsequent opening of many gateways branch offices. ITT cannot now in equity be heard to challenge Schedule B.

RCA has a deficiency of some $13 million under Schedule B, and therefore it has not been compensated for the inequalities that were intended to be removed by Schedule B.

II.

ITT'S PROPOSED REVISIONS ARE NOT JUST, REASONABLE, EQUITABLE AND IN THE PUBLIC INTEREST.

It is not surprising that ITT, with the heaviest overall cumulative overages under the Formula, should suggest that all overages and deficits be cancelled and that unrouted traffic should be distributed equally among international carriers able to carry such traffic out of the country. This would be a purely arbitrary approach, and would not take into account the many considerations relevant to justness, reasonableness, equity, and the public interest.

ITT's proposals reflect none of those public interest considerations which the Commission recognized as important at the time it prescribed the Formula. (10 F.C.C. 189, 190-191, 195.) The proposed equal division of unrouted traffic would not recognize, for example, the efficiency and economy of direct routes provided by certain carriers.

It is ironic that RCA - whose actions have not contributed to the existing inbalance in cumulative overages and deficits and is the carrier with the heaviest cumulative deficits under the Formula - would become the chief victim of ITT's proposals. Based on the 1964 volume of traffic, we estimate that adoption of ITT's proposals might reduce RCA's revenue by approximately $500,000 annually.

If the Formula is unjust, unreasonable, inequitable or not in the public interest, it is because there was inadequate provision to liquidate deficiencies. Thus, the Formula which in part was prescribed by the Commission in recognition of the existing contractual rights of the carriers has never resulted in satisfaction of those rights. It is apparent that any revision to the Formula must recognize the existing cumulative deficits and account for such deficits.

CONCLUSION

ITT World Communications Inc. has failed to make a prima facie showing that the existing Formula is unjust, unreasonable, or inequitable and not in the public interest, and that its proposed revisions shall be just, reasonable, equitable, and in the public interest.

RCA Communications, Inc. reserves the right to appear in any proceedings that may be scheduled in this proceeding and to make any further submissions to the Commission which may appear necessary or desirable.

Respectfully submitted,

RCA COMMUNICATIONS, INC.

By: s/Leonard W. Tuft

s/Eugene F. Murphy

February 19, 1965

Its Attorneys
66 Broad Street
New York, N.Y. 10004

CERTIFICATE OF SERVICE

I, MAUREEN ALWILL, hereby certify that on the 19th day of February, 1965, I mailed copies of the foregoing Comments of RCA Communications, Inc. to the following:

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s/Maureen Alwill

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Complaint of ITT World Communi-)
cations, Inc. for Revision of the) File No. RM-690
Formula for the Distribution of)
Outbound International Traffic)

COMMENTS OF WESTERN UNION INTERNATIONAL, INC.

In response to the Commission's letter of February 8, 1965, Western Union International, Inc. (WUI) submits the following comments on the above-captioned request of ITT World Communications, Inc. (ITT):

1. ITT has requested the Commission to institute a proceeding under §222 (e) (3) of the Communications Act of 1934, as amended, for the purpose of "a major overhauling of the present Formula" for the distribution of outbound international telegraph traffic. In addition to proposing specific changes, ITT urges that the Formula "should be re-examined in its entirety."

2. The proceeding requested by ITT requires "a full hearing" under §222 (e) (3) and would appear to involve problems of the magnitude presented to the Commission in 1943 in connection with the initiation of the Formula. At that time, the carriers were prodded by the Commission into resuming their theretofore

unsuccessful conferences concerning a mutually agreeable Formula. "After further study of the matter, they presented for approval a detailed and comprehensive formula upon which substantial agreement had been reached by them."* The Commission then prescribed this formula.

3. In the interests of economy of time and effort on the part of both the Commission and the carriers, WUI suggests that the matter of any possible Formula revisions be explored preliminarily by the interested carriers. Section XI of the Formula, relating to its administration, provides the vehicle for such preliminary exploration. The International Formula Committee, composed of carrier representatives, functions pursuant to this Section. In 1949, following unanimous Committee agreement, the International Quota Bureau by its letter of June 22, 1946 ~~March 28, 1949~~, forwarded to the Commission the following proposed addition to Section XI of the Formula:

> "In the event the committee of representatives of the interested carriers and the Merged Company are in unanimous agreement with respect to any change in, deletion from or addition to the text of this formula believed to be just, reasonable, equitable and in the public interest, it may be adopted subject to approval or other action within thirty days by the Federal Communications Commission provided the said committee reports the circumstances to the Commission within five days accompanied by a statement of the reasons therefor and a statement by each carrier as to its agreement."

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*Separate Report of the Commission on Formulas for the Distribution of International Traffic, 10 FCC 184, 189

4. Although the Commission took no action with respect to the above quoted proposal, the Committee has, in fact, over the years by unanimous agreement placed into effect changes concerning traffic distribution and on different occasions during the years 1945 through 1951 has forwarded these and other changes to the Commission.

5. By letter dated November 28, 1950, to all interested carriers, the Commission referred to the prior changes concerning traffic distribution which were filed with it by the International Quota Bureau and requested the carriers' views regarding possible changes in the basic quota distribution system. The Commission received discordant responses from the carriers due primarily to their disagreements regarding message handling practices followed by Western Union which had not divested itself of its cable system. Consequently, there were no changes in the Formula.

6. This source of discord has now been removed. There has been a divestment. The international carriers may now find themselves in an environment conducive to a constructive re-examination of the basic quota system. ITT has not pursued this course. It has not presented its Formula revision proposals to the International Formula Committee.

7. WUI suggests that the matter of any possible Formula revisions be referred to this Committee. Perhaps the carriers might agree to pool their respective traffic data so that the results of any possible Formula revisions could be accurately evaluated; thus, obviating both the need for each carrrier to form its judgment upon incomplete data and the need for the Commission to collect data from each individual carrier and to evaluate such data. This suggested procedure might also eliminate or minimize tedious days in formal hearings and detailed testimony and statistical exhibits.

8. WUI will not comment at length at this time upon the merits of the specific ITT proposals because it is preferable to explore them, together with any suggestions by the other carriers, in the Committee. Moreover, ITT's proposals are lacking in detail and there is a question whether the showing made in ITT's Complaint is adequate to warrant a §222 (e) (3) proceeding looking to statutory finding by the Commission that the existing traffic distribution arrangement is unjust, unreasonable, or inequitable, or not in the public interest and that ITT's proposed arrangements would be just, reasonable, equitable and in the public interest. One of the matters to be explored in connection with ITT's proposals would be whether the proposed method of distribution of unrouted

gross international tolls, the present measurement. If gross international tolls are to continue to be the standard (such continuation appears preferable), possible changes in the international rate structure by the Commission would be pertinent. There are presently pending before the Commission several petitions requesting message rate changes. WUI believes that there are existing rate structure disparities that should be corrected and has so indicated in its "Petition for Selective Rate Adjustments," dated August 5, 1964.

9. Although divestment has removed a source of discord among the carriers and created an environment more conducive to agreements regarding possible Formula changes, WUI does not agree that the "major overhauling of the present Formula," called for by ITT should be performed without regard to the more immediate problem of insuring that the recent Formula changes which became effective September 30, 1963, and which do not involve the basic quota system, have in fact satisfied the Commission's objective of maintaining "the status quo or a condition close to it with respect to the share of the gross international tolls each carrier now receives in the gateway cities." See Western Union Divestment, 30 FCC 323, 378 (1961). WUI is still in the transition period

following divestment during which the Commission has retained jurisdiction over this matter in order "to meet the numerous problems that will probably confront the new company." (Id. at 385). WUI has under close surveillance its experience since September 30, 1963, which shows that the Commission's objective, retention of the status quo with respect to message revenue distribution in the gateways, has not been realized. WUI believes that this is the more immediate problem, over which Commission jurisdiction has been retained, and should not be lost sight of because of ITT's request for a major undertaking regarding revision of the basic underlying quota system--a matter that has been mooted for over twenty years.

10. Until WUI has longer experience as an independent carrier and its positions have become established and better defined in more areas, the impact upon it of changes in the quota system cannot be fully evaluated. Consequently, WUI believes that formal proceedings before the Commission at this time for the purpose of "a major overhauling of the present Formula" would be premature, unfair and detrimental to WUI. This is not to say , however, that preliminary exploration by the carriers of possible Formula revisions should not be undertaken.

11. For the reasons stated above, WUI respectfully suggests that the Commission refer the ITT proposals to the International Formula Committee for preliminary exploration. This Committee could explore these proposals

together with any submitted by the other carriers and, after a reasonable period of time, furnish a status report to the Commission. At that juncture, the Commission would be in a better position to evaluate the entire situation. It is submitted that this suggestion is the more practical method of approaching the basic Formula matter from the standpoint of the interested carriers and would be more conducive to the proper dispatch of the Commission's business and to the ends of justice.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: /s/ Robert E. Conn
Robert E. Conn

Vice President & Counsel
26 Broadway
New York, New York, 10004

February 19, 1965

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
)
The Application for Merger of)
THE WESTERN UNION TELEGRAPH COMPANY)
and POSTAL TELEGRAPH, INC.)

Docket No. 6517

TROPICAL RADIO TELEGRAPH COMPANY'S COMMENTS RE COMPLAINT of ITT WORLD COMMUNICATIONS INC. For Revision of the Formula for the Distribution of Outbound International Traffic

It is recognized that the Formula for the Distribution of Outbound International Traffic handled by the Western Union Telegraph Company as amended by formal Commission action now requires a complete review by the Commission for the purpose of arriving at an up to date simplified allocation of traffic on an equitable basis. The ITT Complaint for certain revisions of the Formula covers one approach to the problem; however, their recommendations are not specific in regard to the distribution of unrouted traffic. Their recommendation is that unrouted traffic be equally divided among the U. S. International carriers able to carry the traffic out of the country. The basis to be used in the division of such traffic is not specified and, therefore, it cannot be said whether such a new procedure would not create inequities that would result in advantages to the large carriers over the smaller carriers.

One other point in the ITT Complaint that is of concern to Tropical Radio is their suggestion relating to unlimited gateway operations of the international carriers. Just how such a general Formula could be implemented without resulting in inequitable treatment of the smaller carriers is difficult to determine, unless ITT has some measures in mind to protect the smaller carriers which it has not set forth in its Complaint. Here again we can conceive of the large carrier having definite advantages over smaller carriers if ITT's apparent approach to the gateway problem is accepted.

The fact that the Formula problem is definitely involved in other matters now before the Commission justifies a complete Formula review and investigation by the Commission as soon as possible. As a smaller carrier, Tropical's position in the nature of things must be defensive. Accordingly, it feels that its best interests will be served at the present if we withhold further comments until we have had an opportunity to examine the suggestions of all the major carriers.

Respectfully submitted,

John J. Ryan, Jr.
Attorney for
TROPICAL RADIO TELEGRAPH COMPANY
30 St. James Avenue
Boston, Mass. 02116

Dated: Boston, Mass.
February 19, 1965

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of

Complaint of ITT WORLD COMMUNICATIONS INC. for Revision of the Formula for the Distribution of Outbound International Traffic

File No.: RM 690

REPLY
OF
ITT WORLD COMMUNICATIONS INC.
to COMMENTS of Other Carriers

Without conceding the validity of any of the Comments submitted by the several carriers concerning the Complaint herein of ITT World Communications Inc. (ITT), which deal with areas of controversy requiring further exploration and development in informal or formal hearing proceedings, ITT in this Reply desires to address itself at this time to two arguments raised by Western Union International, Inc. (WUI) and RCA Communications, Inc. (RCA).

WUI recommends that the Formula Committee, composed of representatives of the interested international carriers (Section XI-Formula) is the forum to which ITT should bring its Complaint for discussion of Formula changes (WUI Comments, paragraphs 3, 11). ITT when filing the Complaint herein was not unmindful of this Formula provision but concluded that a meeting of the carrier representatives of such Committee for the purposes here under consideration would not be productive of fruitful results - a fact that has been amply demonstrated by the views expressed by the several carriers in their respective Comments.

Both WUI and RCA undertake to make the point that ITT has not made out a "prima facie" case in support of invoking the Commission's investigatory process as provided for in §222 (e) (3) of the Communications Act. (WUI Comments, paragraph 8; RCA Comments, pages 3, 11) without urging, however, that the Complaint should be rejected or dismissed. RCA specifically reserves the right to appear in any proceedings that may be scheduled and to make any further submissions to the Commission.

The clear and irrefutable answer to this contention is that after some twenty years of operations under the Formula the mounting cumulative overages and deficits, affecting as they do the distribution of unrouted outbound traffic, without some built-in corrective device to bring about practical and realistic adjustments of such overages and deficits, make obvious the fact that the Formula can no longer be considered just, reasonable, equitable and in the public interest. The time has come for a broad scale review and the adoption of new measures. Perpetuation of present practices under the Formula without complaint by any of the carriers may freeze the situation indefinitely. We have in mind what the Commission said in the Western Union Divestment Case, in connection with the proposed distribution of traffic to WUI, about the carriers having made no effective move for a period of over 17 years to change an existing situation; have not been willing to press any complaints or take them to hearing. (30 FCC 323 at 377 and 378)

It is submitted that ITT has made an adequate showing and its Complaint should proceed to investigation by the Commission.

Respectfully submitted,

John A. Hartman, Jr.

John F. Gibbons

William A. Kelleher

Edward J. Madden

Attorneys for
ITT WORLD COMMUNICATIONS INC.
67 Broad Street
New York, N. Y. 10004

Dated: New York, N. Y.
April 8, 1965

CERTIFICATE OF SERVICE

I, Josephine A. Martinucci, do hereby certify that I have this day, April 8, 1965, served the foregoing "Reply of ITT World Communications Inc. to Comments of Other Carriers" upon the following by mailing a true and exact copy thereof by United States mail, postage prepaid, to the names and addresses below:

Chief, Common Carrier Bureau
Federal Communications Commission
Washington, D. C. 20554

Leonard W. Tuft, Esq.
Eugene F. Murphy, Esq.
RCA Communications, Inc.
66 Broad Street
New York, N. Y. 10004

Robert E. Conn, Esq.
Western Union International, Inc.
26 Broadway
New York, N. Y. 10004

John H. Waters, Esq.
William E. Seward, Esq.
The Western Union Telegraph Company
60 Hudson Street
New York, N. Y. 10013

Fred N. Oliver, Esq.
Martin A. Meyer, Jr., Esq.
Canadian Pacific Railway Company
200 Park Avenue
New York, N. Y.

A. J. Pastor, Esq.
Canadian National Railway Company
151 Front Street
Toronto, 1, Ontario

The French Telegraph Cable Company
25 Broad Street
New York, N. Y. 10004

Press Wireless, Inc.
660 First Avenue
New York, N. Y. 10016

John J. Ryan, Jr., Esq.
Tropical Radio Telegraph Company
30 St. James Avenue
Boston 16, Mass.

United States-Liberia Radio Corp.
1278 South Main Street
Akron, Ohio

International Quota Bureau
13 South William Street
New York, N. Y. 10004

Josephine A. Martinucci

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

May 25,1973

ITT World Communications Inc.
Attention: Howard White
Vice President & General Counsel

RCA Global Communications, Inc.
Attention: Eugene F. Murphy
Exec. Vice President Operations

Western Union International, Inc.
Attention: Robert E. Conn
Exec. Vice President

TRT Telecommunications Corp.
Attention: Fred W. Morris, Jr.
President & Chief Exec. Officer

The French Telegraph Cable Co.
Attention: Jacques Berenger
Manager

RE: Docket No. 19660

The Western Union Telegraph Co.
Attention: R. C. Hostetler
Vice President & General Counsel

Canadian National Railway Co.
Attention: H. J. Clarke
General Manager Telecommunications

Canadian Pacific Limited
Attention: R. T. Riley
Vice President Transport & Telecommunications

Gentlemen:

Reference is made to RM-690, a petition for rulemaking filed in 1964 by ITT World Communications Inc., which is pending before the Commission, and by which ITT Worldcom seeks amendment of the formula established pursuant to Section 222(e)(1) of the Communications Act governing the distribution of outbound

International message traffic (international formula). Reference is also made to the responsive pleadings subsequently filed by interested parties with respect to that petition. The issues presented by the aforementioned petition and pleadings have been recently incorporated into the general rule-making proceeding instituted by the Commission on December 13, 1972 in Docket No. 19660. This proceeding is designed to explore and resolve various matters generally bearing on the operations of international record carriers in the continental United States and their relationship to The Western Union Telegraph Co. in the joint handling of international message telegraph traffic.

Since the initial filing of the ITT petition and the responses thereto, there have, of course, been substantial changes in conditions involving the handling of international traffic within the United States. There are also pending a number of proposals by the domestic and international record carriers for major changes in established practices relating to the pickup and delivery of such traffic. All of these matters, which are also the subject of consideration in the proceeding in Docket 19660, might well be expected to have significant relevance to the merits of the outstanding ITT petition relating to the formula for the distribution of traffic.

Accordingly, in order to facilitate the Commission's resolution of the issues in Docket 19660, including those pertaining to the formula, it appears desirable that all interested parties should be afforded the opportunity to update their respective views and comments concerning the ITT petition in light of current conditions relative to the handling of international record traffic and in light of their outstanding proposals for modification in existing practices with respect to the pickup and delivery of such traffic. (In view of recent pleadings filed in the Court of Appeals for the D. C. Circuit by ITT in a suit which, among other things, seeks a writ of mandamus to direct the Commission to consider its petition, it appears that ITT is resting on its petition as originally filed.)

To this end, all interested parties are requested to file appropriate amendments or supplements to their earlier pleadings concerning the ITT petition. Such amendments or supplements shall be filed with the Commission on or before June 26, 1973, in the form and number prescribed by the Commission's Rules with service of copies thereof on all parties named above. All parties--including the petitioner-- will, of course, have the opportunity to reply to any such additional pleadings.

Sincerely yours,

Bernard Strassburg

Bernard Strassburg
Chief, Common Carrier Bureau

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
)
Complaint of ITT World Communications, Inc. for Revision of the Formula for the Distribution of Outbound International Traffic)

~~File No. RM-690~~
Docket No. 19660

SUPPLEMENTARY COMMENTS OF WESTERN UNION INTERNATIONAL, INC.

In response to the Commission's letter of May 25, 1973, Western Union International, Inc. (WUI) hereby submits the following supplementary comments on the complaint of ITT World Communications, Inc. (ITT) for revision of the International Formula for distribution of international message traffic, filed November 27, 1964.

1. In its initial comments on ITT's application, dated February 19, 1965, WUI pointed out that:

> "ITT's proposals are lacking in detail and there is a question whether the showing made in ITT's Complaint is adequate to warrant a §222 (e) (3) proceeding looking to statutory finding by the Commission that the existing traffic distribution arrangement is unjust, unreasonable, or inequitable, or not in the public interest and that ITT's proposed arrangements would be just, reasonable, equitable and in the public interest."

2. Essentially, the ITT complaint alleged that the Formula had become outmoded since its inception in 1943, and should be

reexamined so that it may function appropriately under "present day conditions." Of course the "present day" to which ITT referred was 1964.

3. In support of its complaint, ITT relied heavily upon a 20 year study of the operations of all affected international carriers under the Formula. ITT pointed to "overages" and "deficiencies". These ITT figures were analyzed at length in the comments of RCA Global Communications, Inc. Similarly, both companies examined the relative carrier percentages of unrouted traffic to particular countries or areas.

4. All of these studies and figures are today hopelessly stale and totally unusable. There is currently before the Commission and the parties no information as to the current or cumulative effect of the Formula.

5. In light of the inadequacy of ITT's 1964 submission to support a public interest finding that the Formula required revision and the unclear nature of ITT's proposal for revision, it is manifest that the same document cannot, more than nine years later, form the basis for a Commission investigation into so established an institution as the International Formula.

6. Although the passage of time alone would mandate this conclusion, the massive industry changes in this most dynamic field render meaningless any attempt to examine the world of 1973 through the instrumentality of a 1964 complaint. Additionally, considering the Commission's limited personnel resources, a premature investigation cannot be afforded. Such issues as free

direct access and gateway city changes must first be resolved so that the parties can focus upon the future, rather than the past, pool of unrouted traffic.

7. The Commission must dismiss the 1964 complaint, without prejudice to a refiling based on current circumstances.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: /s/ Ernest Brod

Roger P. Newell

Its Attorneys

One WUI Plaza
New York, New York 10004

June 26, 1973

CERTIFICATE OF SERVICE

I, Virginia Massimo, hereby certify that on this 25th day of June, 1973, I mailed by United States mail, postage prepaid (via airmail when located in Canada), a copy of the foregoing pleading to the following:

Howard A. White, Esq.
Senior Vice President
ITT World Communications Inc.
67 Broad Street
New York, New York 10004

Eugene F. Murphy, Esq.
Executive Vice President
RCA Global Communications, Inc.
60 Broad Street
New York, New York 10004

Fred W. Morris, Jr.
President & Chief Executive Officer
TRT Telecommunications Corp.
Prudential Center
Boston, Mass. 02199

Mr. Jacques Berenger
Manager
The French Cable Co.
25 Broad Street
New York, New York 10004

Richard Hostetler, Esq.
Vice President & General Counsel
The Western Union Telegraph Company
1 Lake Street
Upper Saddle River, N. J. 07458

Mr. H. J. Clarke
Canadian National Railway Co.
General Manager Telecommunications
P. O. Box 80100
Montreal, Canada

Mr. R. T. Riley
Vice President
Transport and Telecommunications
Canadian Pacific Limited
910 Peel Street - Room 230
Montreal, Canada

/s/ Virginia Massimo
Virginia Massimo

RCA

I. Cangelosi
Counsel
D. C.

Bernard Strassburg, Esq.
Chief, Common Carrier Bureau
Federal Communications Commission
Washington, D. C. 20554

Dear Mr. Strassburg:

June 26, 1973

Your letter of May 25 noted that ITT World Communications Inc.'s (ITT) petition seeking amendment of the International Formula has been pending since 1964 and that because of the passage of time the international carriers' comments on the ITT petition may need to be updated or supplemented. In this respect, you stated that further comment on the ITT petition may be desirable in light the still outstanding proposals of the international carriers for modification of existing pickup and delivery practices pertaining to international message telegrams.

RCA Global Communications, Inc. (RCA Globcom) in its original comments filed on February 23, 1965 demonstrated that the ITT petition was faulty for failing to establish that the International Formula was unjust, unreasonable, or inequitable, or not in the public interest. Indeed, it appeared that ITT's request for a revision to eliminate past revenue deficiencies was only to further its own self-interest since it had, at that time, revenue overages of approximately \$15.5 million while RCA Globcom had revenue deficits of approximately \$24.9 million. We went on to state that even if a revision to the International Formula were warranted, such revision must recognize and account for these cumulative revenue deficits.

We believe that our original comments still completely answer the ITT petition. Further we do not see that the opening of new operating centers or the offering of direct access by the international carriers would require a change in our position. The fact still remains that acceptance of ITT's revision to the International Formula would serve only ITT.

However, in response to your request, we have updated the material in our original comments showing the overages and deficits. The schedule, which is as of October 31, 1972, shows that ITT's overage has grown to $23.9 million while RCA Globcom's deficit now amounts to $45.8 million.

Very truly yours,

CJC/jm

cc: ITT - Howard White, Esq.
WUI - Robert E. Conn, Esq.
TRT - Fred W. Morris, Jr.
French Telegraph Cable Co. - Jacques Berenger
Western Union Telegraph Co. - R. C. Hostetler, Esq.
Canadian National Railway Co. - H. J. Clarke
Canadian Pacific Limited - R. T. Riley

CUMULATIVE OVERAGES AND DEFICITS AS OF OCTOBER 31, 1972 IN TERMS OF GROSS INTERNATIONAL TOLLS

(Millions of dollars; parenthesis denotes deficits)

	ITT*	RCA GLOBCOM**	WUI	TRT
Gateway Origins				
A	21.0	(18.2)	(2.8)	-
B	1.7	-	(.7)	(.7)
C	7.1	(17.3)	11.8	-
	29.8	(35.5)	8.3	(.7)
Hinterland Origins				
A	(3.2)	(1.9)	5.3	-
B	(4.7)	.2	2.3	2.0
C	2.0	(8.6)	8.6	-
	(5.9)	(10.3)	16.2	2.0
Combined Origins	23.9	(45.8)	24.5	1.3

* Includes Globe Wireless
** Includes Schedule "B"

TRT Telecommunications
CORPORATION

DAVID H. LUBETZKY
VICE PRESIDENT/REGULATORY AFFAIRS & COUNSEL

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June 26, 1973

Mr. Ben F. Waple
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Docket 19960

Dear Mr. Waple:

This is in reply to the letter of the Common Carrier Bureau, dated May 25, 1973, requesting comments relating to the revision of the Formula for the Distribution of Outbound International Message Traffic.

TRT Telecommunications Corporation (formerly Tropical Radio and Telegraph Company) has participated in the actions of the International Formula Committee, established pursuant to Section XI of the Formula,*/ since its inception, and has presumably received unrouted message traffic from the "Merged Company" (The Western Union Telegraph Company) destined for specific subareas in accordance with the Formula.

TRT has also shared in the operating expenses of the International Quota Bureau (IQB), established by the international carriers to administer the Formula. TRT reports total outbound message traffic and tolls to the IQB, and receives from the IQB periodic reports of quotas, "overages" and "deficiencies."

TRT has never been able to determine the breakdown of its unrouted and routed outbound message traffic. This information is and has not been available at the IQB or at Western Union. Therefore, TRT has not found it possible to ascertain the true impact of the Formula upon TRT's operations.

At the same time, TRT's thirty years' experience with the Formula leads TRT to concur with FCC's concern, which appears to have been first expressed in its letter to the IQB dated November 28, 1950, and the concerns of other carriers,**/ relating to inequities in the Formula.

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*/ Exhibit 306A, Docket 6517, 1943.

**/ Particularly the Complaint of ITT World Communications filed in 1964.

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Certainly world conditions, the structure of the international record carriers and technical operating modes, have changed drastically since 1943 making any formula based upon 1943 inherently obsolete and not in the public interest. Consequently, corrective action is required without further delay.

TRT proposes the following changes in the manner of distributing outbound unrouted message traffic:

- that existing "overages" and "deficiencies" be eliminated;
- that any carrier handling routed traffic to a foreign or overseas destination be eligible to handle unrouted traffic;
- that each carrier be allocated a percentage of unrouted traffic tolls to each country or overseas destination in proportion to that carrier's share of the total routed traffic tolls to that country or overseas destination;
- that in determining each carrier's share of the total routed traffic tolls only those tolls which are derived from messages originating outside the gateways be included;
- that the percentages for each carrier and each country or overseas destination be determined annually for the latest complete year;
- that the carriers report to the FCC the number and the tolls of all routed and unrouted messages to each country or overseas destination;
- that the computation of the percentages and the verification of the reporting be the responsibility of the FCC;
- that the IQB be dissolved.

The suggestion above that the unrouted traffic be allocated by country or overseas destination in proportion to the routed traffic for each carrier which is derived from messages originating outside the gateways would serve as an incentive for each carrier to maintain service quality and to be responsive to customers' requirements. Competition would be encouraged, and successes in innovation and providing more attractive service to the using public would be rewarded by increases in both routed and unrouted traffic. (Under the present quota system, increases in routed traffic have negative effects on unrouted traffic.) However, it is essential that tolls generated from messages originating within the gateways be excluded in calculating the amount of total routed traffic for each carrier so as to avoid undue preferences to the three larger U. S. international record carriers resulting from their favored gateway status.

The suggested manner of handling unrouted outbound traffic has the advantages of simplicity and equity. It also provides for automatic updating of the percentage distributions annually. Furthermore, this method would not be affected by any changes in gateways, or hinterland direct access that the Commission might make in the future.

Respectfully submitted,

David H. Lubetzky

David H. Lubetzky
Vice President -
Regulatory Affairs & Counsel

DHL/jav

(20 copies filed)

CERTIFICATE OF SERVICE

I, David H. Lubetzky, hereby certify that I have the 26th day of June, 1973, sent copies of the foregoing document by first-class United States mail, postage prepaid to:

Bernard Strassberg, Esq.
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N. W.
Washington, D. C. 20554

Abbott C. Roseman, Esq.
Chief, International and Satellite
Communications Division
Common Carrier Bureau
Federal Communications Commission
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60 Broad Street
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R. C. Hostetler, Esq.
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Room 512
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Vice President Transport and Telecommunications
Canadian Pacific Limited
Suite 518
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Montreal 3, Quebec, Canada

David H. Lubetzky

David H. Lubetzky

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
International Record Carriers' Scope)
of Operations in the Continental) Docket No. 19660
United States, Including Possible) RM - 690
Revisions to the Formula Prescribed)
under Section 222 of the Communi-)
cations Act.)

SUPPLEMENTAL STATEMENT OF THE WESTERN UNION TELEGRAPH COMPANY ON THE COMPLAINT OF ITT WORLD COMMUNICATIONS, INC. FOR REVISION OF THE FORMULA FOR THE DISTRIBUTION OF OUTBOUND INTERNATIONAL TRAFFIC

The Western Union Telegraph Company (Western Union) pursuant to the Chief, Common Carrier Bureau's letter dated May 25, 1973, hereby supplements its Statement filed herein on February 19, 1965, with respect to the Complaint of ITT World Communications, Inc. (ITT Worldcom) for revision of the formula for the distribution of outbound international traffic (the Formula). In this regard Western Union respectfully states as follows:

1. We have reviewed Western Union's prior Statement and find that it generally remains applicable under present circumstances. Herein, such Statement is supplemented in light of current conditions.

2. ITT Worldcom's Complaint is divisible in two parts. First, it requests revision of the present Formula

quotas under which traffic is distributed among the international record carriers. Second, it requests revision of the Formula to permit the establishment of additional gateway cities by the international carriers.

3. With respect to ITT Worldcom's second request, dealing with the gateway cities, we assume that any revision to the Formula, adopted by the Commission, will be consistent with any modification in the industry structure which might result from Docket No. 19660. We therefore do not believe that any supplemental comment on ITT Worldcom's gateway proposal is required at this time. We, of course, reserve our right to be heard on the specific applications and proposals to expand the international carriers' operations beyond the present gateway cities which are now pending or may be advanced in Docket No. 19660.

4. In our prior *Statement* we indicated that difficulties in implementing the present Formula and uncertainties in its interpretation have impeded the establishment of improved procedures and methods in Western Union's operations. In this regard, Western Union continues to be confronted with complaints from one carrier or another, to the effect that it is not complying with the prescribed instructions for the handling of unrouted cablegrams or that it is favoring

one carrier to the detriment of the others. Such complaints cover the entire scope of our public message system, the centralized telephone bureaus, Greensboro, gateway city offices and the hinterland public offices. Western Union continues to be placed in the unfortunate position of the initial arbitrator of disputes between the international record carriers. In this regard, although it has no interest in the proportion of traffic accruing to each international carrier and receives no benefits from its activities in implementing the Formula, it has been required to contend with threats of law suits and delays in its service improvement plans resulting from the opposition of one or more of the international carriers.

5. Also, we find that the existing Formula is becoming increasingly incompatible with requirements of the modern handling and processing of international telegrams. The implementation of the Formula distribution provision impeded somewhat the efficient handling of international telegrams even in the past, when such handling was done manually. The problems of implementing the Formula in the context of Western Union's computerized switching system present much greater problems. In this regard, it is estimated that the capital cost of programming the Company's computers to provide the current distribution would be approximately $150,000. Substantial additional programming cost would be incurred each time changes

in the existing distribution would be made pursuant to the Formula quota provisions to reflect changing traffic patterns.

6. Although Section XI of the present Formula provides that all of the costs incurred by Western Union in the distribution of traffic under the Formula shall be equitably shared by the international carriers, Western Union's experience has been that, as a practical matter, it has not been able to recover its full costs in providing this service. In this regard, the Company has experienced difficulties in obtaining the agreement of the international carriers to the amount of its costs and the equitable distribution thereof and has been forced to accept less than full compensation to secure settlement with the carriers.

7. In view of the foregoing, Western Union requests that the Commission consider the feasibility of eliminating the Formula quota system entirely and, in lieu thereof, requiring that all cablegrams be specifically routed by the sender.

8. If this is not found feasible, Western Union requests that the Commission revise the Formula to transfer the responsibility for the distribution of unrouted traffic from Western Union to the International Quota Bureau (IQB) or some other instrument of the international carriers. Under this approach Western Union would transfer unrouted cablegrams to the IQB, who would then pass the traffic to the international carriers in accordance with the revised Formula. Western Union would be agreeable to leasing operating space to the IQB at a

suitable Western Union location. Western Union would provide no services for unrouted cablegrams other than those provided for routed cablegrams. Such an arrangement would relieve Western Union of a source of continuous complaint and place the responsibility for performing this operation where it rightfully belongs, with an instrumentality of the international carriers.

9. If the Commission should determine that the public interest requires that Western Union continue its role in distributing unrouted cablegram traffic, we urge the Commission, as a minimum, to revise the Formula in a manner to ease the burden now incurred by the Company in providing this service.

10. In this regard, the Formula should be simplified to allow for an efficient mechanized handling. The Commission should consider the feasibility of revising the quota system so that all the unrouted traffic destined to each different overseas point is accorded to only one carrier. Most importantly, the Formula should be designed to preclude frequent changes in distribution requiring additional programming of the Company's computers.

11. As discussed in our prior Statement, the language of the revised Formula should be precise and complete to reduce as much as possible the areas open to interpretation and subsequent conflict. Moreover, procedures should be established

to provide for the prompt resolution of any future disputes which might arise in the light of changes in the operations of Western Union or the international carrier, new services and carriers, etc. The revised Formula should make clear that Western Union would incur no liability for any errors which it might make in its good faith efforts to distribute traffic among the carriers in accordance with the Formula.

12. The revised Formula should also make clear that all costs, including any capital costs incurred by Western Union to mechanize the quota distribution, will be borne by the international carriers. These costs would include the day-to-day expenses of the quota distribution operation, including distribution of traffic in accordance with IQB instructions, any facility costs that are associated with the unrouted traffic distribution, and any costs incurred by Western Union due to special handling required by a particular carrier. We also urge that under the revised Formula Western Union should be entitled to a reasonable profit for the services it provides in distributing the unrouted traffic. Western Union should no longer be responsible for the allocation of its traffic distribution costs among the international carriers. Rather, Western Union should be permitted merely to bill the IQB monthly for the total costs for the service it renders. The IQB would be reponsible for the allocation of such costs

among the international carriers.

WHEREFORE, Western Union respectfully requests that the Formula be revised in accordance with the comments set forth hereinabove and in Western Union's prior Statement filed on February 19, 1965.

Respectfully submitted,

THE WESTERN UNION TELEGRAPH COMPANY

By Roderick A Mette
Roderick A. Mette

1828 L Street, N.W.
Suite 1001
Washington, D.C. 20036

Its Attorney

Of Counsel:

R. C. Hostetler, Esquire
1 Lake Street
Upper Saddle River, N.J.

Jack Werner, Esquire
1828 L Street, N.W.
Washington, D.C.

June 26, 1973

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document, filed with the Federal Communications Commission on behalf of The Western Union Telegraph Company, by United States first class mail, postage prepaid, on the following:

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Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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June 26, 1973

Ann S. Palius
Ann S. Palius

ITT World Communications Inc.

Howard A. White
Senior Vice President

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July 11, 1973

Mr. Vincent J. Mullins
Acting Secretary
Federal Communications Commission
Washington, D.C. 20554

Attention: Bernard Strassburg, Esq.
Chief, Common Carrier Bureau

Dear Sir:

On May 25, 1973 the Commission requested supplements to earlier pleadings concerning a petition for rulemaking (RM-690), filed in 1964 by ITT World Communications Inc. (ITT Worldcom), which looks toward revision of the formula governing the distribution of outbound international message traffic (Formula). Timely statements have been filed by The Western Union Telegraph Company (Western Union), RCA Global Communications, Inc. (RCA), TRT Telecommunications Corporation (TRT), Western Union International, Inc. (WUI), and Canadian Pacific Limited (Canadian Pacific). The following reply of ITT Worldcom to these statements is not an amendment of the 1964 Complaint, and ITT Worldcom's comments are submitted without prejudice to its position as stated in that Complaint.

In the thirty years which have elapsed since the inception of the Formula, the Commission has never reviewed the principles underlying that Formula and the applicability of those principles to current operations of the international carriers, or whether those principles are in fact serving the public interest. None of the commenting carriers has offered a good reason for further delay. Indeed, the record in this matter is replete with good reasons for an expedited review and a prompt revision of the International Formula.

Although ITT Worldcom's 1964 complaint proposed specific remedies, we do not contend that no other remedy would serve the public interest. We do maintain, however, that the existing Formula requires major surgery in order to remove cancerous disincentives which could accelerate the decline of overseas telegraph message services.

Western Union's suggestion that the Formula be replaced by a system in which all traffic is routed must be regarded as the ultimate solution or a reasonable objective. Unfortunately, at this time, a very high percentage of traffic is unrouted. Therefore, we question the current feasibility of that proposal. Neither the industry nor the public is ready to withstand additional claims of expenses by Western Union for the education of its subscribers with respect to the international carriers serving specific overseas points. Moreover, ITT Worldcom believes that many of Western Union's employees, who are responsible for determining whether or not message traffic is routed, treat the specification of "Western Union" or "WU" as if it were a routing via WUI. Increasing the responsibility of Western Union, by having that company make final determinations as to the routing of all traffic, would only serve to aggravate this problem, unless WUI's name is changed.

A more viable proposal has been offered by TRT. Without supporting all of the terms and conditions of that proposal, ITT Worldcom believes that an allocation of unrouted traffic in proportion to the distribution of routed traffic would be fair to the international carriers. Such an allocation of unrouted traffic would give due recognition to the competitive results achieved by the carriers, and it would promote competition relating to the quality of services. To the extent that customers of telegraph message services "vote" for a given carrier, that carrier would benefit from an appropriate share of the revenues for routed and unrouted traffic. No longer would a carrier lose unrouted traffic because of its success in winning routed traffic.

In the hope of protecting favored positions, obstructive or dilatory remarks were offered by other carriers. For example, Canadian Pacific wants the Commission to honor its agreement with Western Union, even though such agreement was thrice extended without review or consideration by the FCC. In our view, the agreement between Western Union and Canadian Pacific does not override the statutory obligation of the Commission to eliminate the striking inequities of the existing Formula.

RCA called attention to outstanding "overages" and "deficits" under the existing Formula. Clearly, these imbalances demonstrate the unreasonableness and unworkability of the traffic distribution scheme developed in 1943; and they do not represent, legally or equitably, obligations or commitments of any carrier. When this obsolete Formula is revised, the impossible machinery and interminable adjustments and penalties that belong to it must also be discarded.

Finally, WUI's argument that other more recent proposals, such as free direct access and additional gateways, must be considered before the Formula is reviewed is worthless, particularly in light of the absence of any such proposal by WUI. The carriers which do have such proposals pending do not find them to be an obstacle to disposition of ITT Worldcom's 1964 complaint.

After consideration of all the arguments submitted in this matter, ITT Worldcom maintains that there is absolutely no reason for the Commission to further delay the initiation of specific rulemaking proceedings which look toward a complete revision of the International Formula.

Sincerely yours,

HAW/jl
cc: Eugene F. Murphy, Esq.
RCA Global Communications, Inc.

Robert E. Conn, Esq.
Western Union International, Inc.

Fred W. Morris, Jr.
TRT Telecommunications Corporation

R. C. Hostetler, Esq.
The Western Union Telegraph Company

Mr. H. J. Clarke
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Mr. Vincent J. Mullins
Secretary
Federal Communications Commission
Washington, D. C. 20554

Dear Mr. Mullins: January 15, 1974

On November 21, 1973 the Commission adopted a Memorandum Opinion and Order (FCC 73-1203) instituting an investigation to determine whether the International Formula for the distribution of outbound international message traffic handled by The Western Union Telegraph Company is unjust, unreasonable, inequitable or not in the public interest, and if so, what changes may be required. The Commission stated that the most expeditious course to follow procedurally was to have the interested parties submit detailed and explicit written positions setting out the relevant facts and other considerations. Responses and replies to the written positions were also provided for. The Commission further stated that "to the extent that an oral hearing is necessary or desirable, upon review of the submission indicated above, we shall, of course, consider an appropriate request by any party, or take action on our own motion."

RCA Global Communications, Inc. believes that the paper rulemaking procedure being used by the Commission for the determination of the lawfulness of the existing International Formula is contrary to the statutory requirement in Section 222(e)(3) that such determinations be made only after a "full hearing." As we have shown in previous briefs and during oral argument on the question of the Commission's ability to grant Western Union an interim increase in the division of revenues for the domestic handling of international message telegrams, the requirement for a "full hearing" in Section 222 is only satisfied by means of an oral, evidentiary hearing and not by a paper rulemaking proceeding.

However, while we believe the procedure instituted by the Commission to be unlawful, Section 1.106 of the Commission's Rules and Regulations provides that petitions for reconsideration of an interlocutory ruling will not be entertained. Since our objection appears to go to an interlocutory matter, we will not, in this case, file a petition for reconsideration but will only inform the Commission that we will seek to protect our interest to procedural due process at the appropriate times and in accordance with the Commission's Rules.

Very truly yours,

Carl J. Cangelosi

CJC/jm

cc: T. P. Orso
American Cable & Radio Corporation and
Globe Wireless Ltd.

J. M. Eaton
Canadian National Railway Company

L. F. Swaine
Canadian Pacific Railway Company

J. R. Moman
TRT Telecommunications Corporation

R. B. Stoner
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R. H. Thomas
Western Union International, Inc.

R. A. Mette, Esq.
Western Union Telegraph Company

W. R. Hinchman
A. C. Roseman, Esq.
Federal Communications Commission

TRT Telecommunications
CORPORATION

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March 11, 1974

Mr. Vincent J. Mullins
Secretary
Federal Communications Commission
Washington, D. C. 20554

Dear Mr. Mullins:

Pursuant to the Commission's Order released November 26, 1973 in the matter of possible revisions to the International Formula, Docket 19660, interested parties were to "submit detailed and explicit written positions setting out the facts and other considerations (legal, policy, etc.) which are relevant to a decision on the several issues presented by the pleadings "by January 25, 1974. The submission of comments was delayed, however, because of RCA's request that the interested parties meet to develop some uniform procedure for deriving data relevant to the breakdown of routed and unrouted traffic destined for those countries where a single, carrier receives all of the unrouted traffic. RCA justified the delay be asserting that without this data, it could not determine what changes, if any, to the Formula should be made. There have now been four such meetings, and four corresponding delays in the provision of written comments, all generally agreed to up to now by the interested carriers in an effort to determine (1) if such data would be required, and (2) is so, what would be the time and cost required for such a data gathering effort. Since the principal issue of the necessity of the data sought by RCA is as yet unresolved, it appears appropriate to question whether the provisions of formal comments should be delayed further, particularly in view of the Commission's expressed desire for "an expeditious resolution of this matter."

As TRT stated in its February 9, 1974, letter to the Commission, TRT agrees that the provision of the data in issue may be useful. TRT would like to reiterate, however, its concern about significant delays in the investigation.

An estimate of two to three months has been given for the data gathering effort. If it is decided that the data should be provided, TRT urges the Commission to establish a deadline within this estimated time frame for the data collection effort, as well as a firm date for the submission of written comments.

Sincerely,

J. Robert Moman

J. Robert Moman

cc: T. P. Orso
J. A. Ligon, Esq.
American Cable & Radio Corp.
and Globe Wireless Ltd.

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ROGER P. NEWELL
Senior Attorney

Telephone: (212) 363-5812

March 11, 1974

Mr. Vincent J. Mullins, Secretary
Federal Communications Commission
Washington, D. C. 20554

Re: Docket No. 19660
RM 690

Dear Mr. Mullins:

Discussions have taken place recently between the International Record Carriers (IRC's), under the auspices of the Commission's staff, concerning the necessity for additional information for the carriers to prepare adequate statements of fact and memoranda of law, in accordance with the Commission's Memorandum Opinion and Order (MO&O) herein released November 26, 1973 (FCC 73-1203). These discussions have centered around a proposed study of international traffic, both routed and unrouted, transferred by The Western Union Telegraph Company (WUTelCo) to the IRC's. The proposed study would provide a complete statistical picture of such traffic, with numerical break-down by country of destination, by routed and unrouted classes, by carrier, and by gateway and hinterland traffic. ITT World Communications Inc. (ITT Worldcom) has taken the position in these discussions that this proposed study is not needed in order to formulate and evaluate proposed amendments to the International Formula, while WUI, RCA Global Communications, Inc. (RCA Globcom) and TRT Telecommunications Corp. (TRT) have taken the position that without the information generated by such a study, it would be impossible either to formulate new proposals or to gauge the effect of any proposed amendments to the formula upon each of the individual IRC's. The purpose of the present letter is to request the Commission to require that all carriers involved cooperate fully to ensure that a study is carried out which will enable a meaningful evaluation of the International Formula to be made.

The Commission's MO&O ordered that the investigation include inquiry into the following issues:

(1) The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas.

(2) The nature, extent and reason for the existing overages and deficiencies in assigned quotas. In this connection, each carrier shall present full data with respect to its overages or deficiencies, by area and sub-areas, as of each year-end for the ten (10) years ending December 31, 1972, and an estimate for the year ending December 31, 1973; as well as the totals, by area and sub-area, since distribution began under the formula.

(3) The present defects in the formula, pointing out with specificity the effect of each claimed defect not only on the respondent, but also on other international record carriers and on the quality of service provided to and the rates charged the using public.

(4) The specific amendments which should be made to the formula to remove each such defect, the effect each such amendment will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public.

Information relative to the specific questions posed by Issues (1) and (2) has been compiled through studies made by the staff of the International Quota Bureau. However, there are certain difficulties with these studies, which prevent complete reliance being placed on them. For example, there are discrepancies between the totals of traffic reported in this compilation and the traffic reported in the Order 85 data submitted by the carriers to the Commission. Additionally, the various carriers utilize different definitions for classifying traffic. Traffic which originates in the gateway cities but is received by WUTelCo at its Central Telephone Bureau at Moorestown, New Jersey, is counted by RCA and WUI as gateway traffic, but ITT and WUTelCo treat this traffic as hinterland traffic. Since separate distribution formulae apply to hinterland traffic as against gateway traffic, this differentiation leads to a distortion in the available statistics.

A more serious problem is posed by the fact that the information currently available to the IRC's is totally inadequate to answer either Issue (3) relating to the alleged defects to the formula, or Issue (4), which relates to proposed amendments to the formula to remedy such defects. Both Issues (3) and (4) require the respondent to specify the effect each defect or amendment will have on the respondent, on other international carriers and on the quality of service and the rates provided to the using public. The available data indicates only the total traffic to each subarea handled by each carrier, and does not provide any break-down as between routed traffic and unrouted. It would be impossible for WUI, or the Commission, to determine what the effect of any of the proposed amendments would be on the traffic distribution between the carriers. To take one example, ITT Worldcom has suggested that the formula be amended, among other respects, to provide that WUTelCo be ordered to distribute unrouted traffic equally among the IRC's authorized to serve the destination. It cannot be determined from the data presently available which carriers will be benefited by this proposed amendment, and to what extent. The present information simply indicates the amount of traffic taken by each carrier to each destination, without break-down as between routed and unrouted. Thus both the total amount of traffic available for equal distribution among the different carriers and the revenues that would be lost or gained by each carrier are unknown.

The same difficulties are encountered in considering the proposal of TRT that, among other matters, unrouted traffic tolls to each destination be allocated in proportion to the share of each carrier of the total routed traffic to that destination.

A further problem involves the gateway traffic destined to points to which a particular carrier has the exclusive right to receive all unrouted traffic. The WUTelCo clerk presently inserts the "via" of the carrier entitled to this traffic. When the traffic reaches the tallying point, it is presently treated as routed, even though the customer may not have indicated any preference. For example, ITT Worldcom is presently entitled to 100% of traffic originating in the gateways and destined to France (unless otherwise specifically routed). It cannot be determined how much of this traffic was originally routed via ITT Worldcom and how much was unrouted.

Issue (3) refers to defects in the formula. Among the alleged defects is that in each area some carriers will have "overages" while others will have "deficiencies", which vary from area to area. This imbalance is alleged to be increasing. However, the computation of overages and deficiencies does not distingush between routed and unrouted traffic. The composition and derivation of the overages and deficiencies cannot be determined. It is at least conceivable that the Commission will want to take into account the routing, or lack thereof, in determining whether to take action in connection with present or future deficiencies and overages. The proposed study would provide a basis upon which a prediction of the effect of changes in the formula on overages and deficiencies may be made.

Similarly, it is argued that there is a lack of flexibility in the formula to recognize new authorizations by the Commission to carriers for new service points. However, there is no information now available to quantify the effects of new authorizations. The proposed study would enable the Commission to take action with some assurance that it is able to predict their effects, and to take into account the new authorizations granted since the effective date of the formula.

In view of the foregoing, WUI respectfully requests the Commission to take such action as may prove necessary to ensure that an appropriate study is undertaken to provide the data which is a vital prerequisite to any consideration of the International Formula.

Respectfully submitted,

Roger P. Newell

Roger P. Newell
Senior Attorney

RPN:mc

cc: All parties of record

Mr. Vincent J. Mullins
Secretary
Federal Communications Commission
Washington, D.C. 20554

RCA

J. Cangelosi
Counsel
gton, D. C.

Dear Mr. Mullins:

March 11, 1974

This letter is to present RCA Globcom's position on the need for The Western Union Telegraph Company to undertake an independent, statistical study to determine the exact manner in which international message telegram traffic is presently being distributed among the international record carriers pursuant to the International Formula.

It will be helpful to first examine the nature of this proceeding and the circumstances surrounding the limited factual data available at this time. The investigation into the International Formula was ordered by the Commission on November 21, 1973. 43 F.C.C. 2d 1174. In the Memorandum Opinion and Order, the Commission specified that the following issues were to be investigated:

1) The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas.

2) The nature, extent and reason for the existing overages and deficiencies in assigned quotas. In this connection, each carrier shall present full data with respect to its overages and deficiencies, by area and sub-areas, as of each year-end for the ten (10) years ending December 31, 1972, and an estimate for the year ending December 31, 1973; as well as the totals, by area and sub-area, since distribution began under the formula.

3) The present defects in the formula, pointing out with specificity the effect of each claimed

> *defect* not only on the respondent, but also on other international record carriers and on the quality of service provided to and the rates charged the using public.
>
> 4) The specific amendments which should be made to the formula to remove each such defect, *the effect each such amendment* will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public. (Emphasis added)

The International Formula Committee and the International Quota Bureau were made parties to the investigation for the purpose of furnishing information within their possession that might be required by the Commission in its inquiry.

On December 12, 1973 RCA Globcom wrote to the IQB asking that it furnish the data required to answer questions 1 and 2 noted above and also provide a breakdown between the routed and unrouted traffic handled by each carrier for the most recent period available. The IQB responded on December 31, 1973 that it would undertake to provide the information within its possession which would further the investigation but stated that it did not have any data regarding the number of unrouted messages transferred by Western Union in those situations where a single carrier receives all of the unrouted traffic. By further letter dated February 11, 1974, the IQB stated that the analysis it was preparing on the routed and unrouted traffic to countries where proportional distribution is made apparently contained a considerable distortion.

As a result of these problems, a meeting was held at the Commission with representatives of the interested carriers. We believe that it was conclusively demonstrated at that meeting that all of the statistics since at least 1969, both routed and unrouted, contained sufficient errors to make them totally unreliable. As an example, considerable distortion was caused by the operational practice of Western Union which counted messages originating in the gateway cities but handled by central telephone bureaus located outside of the gateways as hinterland messages. And, of course, there continued to be the problem associated with the inability to determine the number of unrouted as opposed to routed messages handled by each carrier.

In response to the concern over the lack of accurate information on the distribution under the Formula, Western

Union was requested to determine whether it could, at the international carriers' expense, make certain operational changes to bring the distribution into accord with the Formula and then undertake a statistically valid survey of the actual distribution for a specified period. On March 5, 1974 Western Union reported to the interested international carriers that such a study could be done and that it would probably require three months in order to write the necessary computer programs to develop the information.

It is our understanding that ITT World Communications Inc., while believing that the data which would result from the statistical study would be "interesting", will oppose any extension of the March 18, 1974 date for filing of comments on the Formula. RCA Globcom's position is that it is impossible to respond to the Commission's investigation until accurate data has been developed. By referring to the issues listed above, it can readily be seen that they all require a knowledge of the manner in which international message traffic is presently being handled, broken down by carriers, areas, and sub-areas. It is fundamental that without such information the Commission would be unable to determine the effects of a change in the Formula, if one were determined to be necessary, with the result that any order effectuating a change without such information would be unlawful.

In this respect, it should be noted that in setting up the investigation into the Formula, the Commission used a paper rulemaking procedure rather than an oral evidentiary one. It is assumed that this procedure was selected since the Commission felt at that time that there would not be any "factual dispute" but rather that the statistics compiled by the IQB would constitute the factual basis for the Commission's ultimate determinations. It is now evident that there are no "facts" on which a decision could be based and accordingly either the parties to the proceeding must determine and agree to the facts on an informal basis outside of the hearing process or, absent the agreement of the parties, an oral evidentiary hearing must be held. It should be noted that all of the international record carriers have taken the position that Section 222(e)(3) of the Communications Act requires an oral evidentiary hearing and that this view has been supported by the Commission's Review Board when it recently stated that "[u]nder Section 222(e)(3) of the Communications Act, Congress has simply provided for the same procedural safeguards in rulemaking as in adjudicatory proceedings." (FCC 74R-31, Jan. 30, 1974).

In conclusion, we urge the Commission to find that the statistical study described above is essential to the inquiry into the International Formula and accordingly grant an extension of time for filing of comments until an appropriate period after the conclusion of that study. Of course, RCA Globcom reserves its right to proceed with any other available legal remedies in the event the Commission does not grant the requested extension.

Very truly yours,

Carl J. Cangelosi

CJC/jm

cc: John Copes, Esq.
Federal Communications Commission

Roderick A. Mette, Esq.
The Western Union Telegraph Company

John Ligon, Esq.
ITT World Communications Inc.

Lee Mitchell, Esq.
Counsel for Canadian Pacific Railway Company

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March 11, 1974

Mr. Vincent J. Mullins
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Reference: FCC Docket No. 19660 - International Formula Investigation

Dear Mr. Mullins:

The carriers participating in traffic distribution pursuant to the International Formula, now under investigation in the above referenced docket, have been meeting since about February 1, 1974 with the Commission's Staff in an effort to reach agreement on a methodology and time frame for acquisition of unrouted traffic data, which data has been sought by RCA Global Communications, Inc. (RCA Globcom), allegedly as being needed to formulate its company position in the subject investigation. Having reached a stalemate, at a meeting of March 5, over the question of whether the importance of the data to the investigation merits a rather substantial delay in the investigation, for completion of a study of such data, the Staff requested the opposing interests to submit their respective positions, and support therefor, to the Commission for resolution.

ITT World Communications Inc. (ITT Worldcom) herewith submits its comments and, for the reasons set forth hereafter, urges that the Commission find that any further substantial delay in this investigation to conduct a study of unrouted traffic would not be just, reasonable, equitable, nor in the public interest.

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HISTORICAL STATEMENT

The Commission, by Memorandum Opinion and Order, released November 26, 1973, in FCC Docket No. 19660, determined that ITT Worldcom had made a prima facie showing, in its Complaint of November 25, 1964, that the Formula for distribution of unrouted international telegraph traffic was unjust, unreasonable, inequitable and not in the public interest and thus should be investigated. In its Order, the Commission determined that the most expeditious procedures for conducting such investigation was through the submission of written pleadings from all interested parties. The initial pleadings, pursuant to the terms of the Order, were due to be filed on January 25, 1974.

By letter of January 22, 1974, RCA Globcom requested that the January 25, 1974 response data be extended by three weeks, which extension to February 15 was granted by the Chief, Common Carrier Bureau. RCA Globcom urged, as reason for the requested extension, that data on unrouted international traffic, which it considered necessary to the formulation of its position, was unavailable from the International Quota Bureau (IQB). RCA Globcom, therefore, requested that the Commission convene a meeting of the Formula carriers to discuss a means for obtaining this data.

ITT Worldcom advised the Commission at the time of the RCA Globcom request for an extension of the initial response date (letter of January 29 to Vincent J. Mullins, Secretary) that it would not oppose a short extension of that date for purposes of conducting a study of the unrouted international traffic, so long as such study did not result in undue further delay in this already overlong delayed investigation. We noted, however, that the data sought by RCA was not necessary to respond to the issues raised by the Commission nor did it appear to be needed for the Commission's determination of the overall question of whether the existing Formula served the public interest and if not how it should be changed. ITT Worldcom also suggested that a short survey (approximately one week) by each International Record Carrier (IRC) of its own unrouted traffic would provide a data base sufficient to satisfy the RCA Globcom request and in a reasonable and expeditious manner.

A meeting among the IRC's and The Western Union Telegraph Company (WUT) was convened on February 1, pursuant to the RCA Globcom request, at which little more was accomplished than a recognition that unrouted traffic data could only be secured from a prospective traffic sample and an agreement to meet again in two weeks to discuss the matter further. Since that time there have been three additional meetings and corresponding further extensions of the original January 25 response date, now set at March 18, a delay of almost two months, with essentially nothing of substance having been accomplished.

The principal positions which have evolved from the discussions are: RCA Globcom urges that the unrouted traffic data is essential to the formulation of its position in the investigation and merits whatever time delay is required; ITT Worldcom is of the view that this data is very nonessential and its acquisition should not be permitted to cause any further substantial delay in this investigation; and the Commission's Staff, while not taking any position on whether or not the data is required, suggests that if a survey is to be undertaken it should be done by a neutral party (WUT being the logical choice) and by means of automatic data processing equipment in order for the Commission to be assured that the data is reliable.

At the last meeting of the parties, on March 5, WUT put forth a plan whereby it would acquire the desired traffic data in a format which was acceptable to those interests seeking the data, through a computer study of its accounting tapes for a selected period. WUT was unsure of the time delay required for such a study but did suggest that the programming for the computer would require a minimum of three months, to which must be added the actual survey period and some period for distribution of the data and preparation of responses based upon the data. Thus a delay in the investigation of at least five months and quite possibly much longer would result if responses were postponed pending completion of such a survey. ITT Worldcom noted its strong opposition to any such lengthy delay for the acquisition of data which is nonessential to the overall issues of the investigation. RCA Globcom expressed the opposite viewpoint. A stalemate having developed, the Staff invited all interested carriers to place their views before the Commission, in the form of a letter to the Secretary, on the question of whether a delay in the investigation, of the magnitude suggested by the WUT estimate, should be granted by the Commission for the purpose of conducting a study of unrouted traffic.

ARGUMENT

Since the Staff has informally indicated its belief that the Commission will likely want data similar to that here under discussion at a subsequent point in the investigation, we would at the outset observe that our objection here goes not to the collection of the data as such, but rather to the proposal that the investigation be held up pending such data collection. Whatever absolute merit the data may have, it is not so important to the initial carrier filings as to merit their being held up for the substantial period involved in the proposed study. Indeed, in view of the considerable discussions which have recently taken place with regard to such data acquisition, we think there would be considerable merit in the Commission's requiring the parties to immediately proceed with a study directed to the Commission's requirements if the Commission expects to require such data later on in the investigation. We strongly urge, however, that no good cause exists for delaying the initial responses by the parties for lack of such data.

RCA Globcom attempts to cloak its request for delay in the investigation for purposes of obtaining unrouted traffic data in the legitimacy of such data being a requirement to respond to one or more of the issues set forth in the Commission's Order. This premise is patently insupportable.

The RCA Globcom position is keyed to issues numbered (1) and (4) in paragraph 16 of the Commission's Memorandum Opinion and Order, heretofore referenced. The first of those issues is stated as:" The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas." This issue clearly is addressed to a qualitative description of the way in which traffic is distributed pursuant to the Formula, not a quantitative statement of the effect of the Formula in terms of numbers of messages transferred to each carrier during a particular time period. "Manner" connotes methodology, not the end result from the application of that methodology. Clearly, the traffic data sought by RCA Globcom cannot reasonably be said to be required to address this issue.

The second of the issues relied upon by RCA Globcom, Commission issue (4), is stated as: " The specific amendments which should be made to the Formula to remove each (of the defects raised in response to issue (3)), the effect each such amendment will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public." While the "effect" upon the various carriers can, grammatically, be given a quantitative construction, a qualitative response is at least equally appropriate and, when viewed in the context of the overall issues of the investigation and the fact that each carrier is expected to address this "effect," the qualitative response is far the more likely and logical expectation. There can be no real question that each carrier could adequately describe this "effect" in qualitative terms based upon existing data and its own experiences under the present Formula. Moreover, even if the Commission had intended that this issue elicit a quantitative representation of such "effects," it would be far more logical and efficient for the Commission to have its staff perform this analysis for all carriers than to have each of four (or more) carriers doing separate analyses which would then have to be reconciled by the Commission. This would obviate any possible reason for delaying the initial filings by the carriers pending receipt of the traffic data. By conducting a traffic study parallel, in time, to the carrier filings the Commission's staff would have the traffic data for analysis at roughly the same time as it would be receiving the carriers' full positions on the defects and proposed amendments to the Formula, which would constitute the other parameters in such an analysis.

For completeness in this discussion of the Commission's specific issues, we would observe that issue number (3) is addressed, in part, to the "effect" of the existing defects upon the various carriers. While our previous remarks in connection with the "effect" of amendments to the Formula would be equally applicable here, in addition, we think the Commission would agree that the number of variables to be dealt with in any characterization of the existing defects are such as to make any practical quantification of the "effect" impossible, no matter how extensive or exhaustive the traffic data available. Since defects exist not only in terms of actual inequities but also motivational aspects of the Formula, such as its disincentives to competition, any attempt at quantifying its effect would require either the selection of one arbitrary hypothesis or the presentation of numerous differing hypotheses, with corresponding quantitative analyses, based upon all imaginable "what if" situations. This same problem, incidentally, would be somewhat applicable to attempts to quantify the "effect" of future amendments.

The only other specific issue raised by the Commission, its issue number (2), is addressed to the nature and reasons for the overages and deficiencies which are now associated with the Formula, an issue for which there presently clearly exists adequate data for each carrier's response. Thus, as we have shown, in terms of either the overall issues of this investigation, or those specifically enumerated by the Commission there exists no basis for further delay in this already long delayed investigation for purposes of conducting a study of unrouted traffic data.

In the final analysis, the basic raison d'etre for the delay sought by RCA Globcom can be seen as nothing more than a desire to acquire data from which that carrier may more precisely assess the amount of revenue it would stand to gain or lose from various possible changes in the Formula. While this is certainly a legitimate corporate interest, relative revenue distribution among competing carriers is not a vital consideration to the public interest. This clearly self-interest position should not be permitted to unduly prolong this investigation, particularly where, as here, the delay works to favor carriers requesting the delay, through perpetuation of the inequities in the Formula. Moreover, given the purpose for which the data is sought, neither crystal ball nor sophisticated computer study is required to arrive at a reasonable estimate of the revenue shifts to be effected by various formula provisions. These effects can be reasonably approximated from an analysis of a given Formula proposal in the context of historical traffic patterns and known statistics. As we have shown in the Appendix to this letter, which contains a data sample from a number of the high traffic volume destinations, through rather simple analysis of known data, the amount of unknown (whether routed or unrouted) traffic can be reduced in most cases from the unknown amount in the raw data to rather minute percentages of total traffic. From this, using knowledge or judgments which every carrier has or is in a position to make, reasonable approximations can be made as to the distribution of the remaining unknown traffic. Particularly when viewed in the context of the RCA Globcom purported need for the data, that of assessing the company's overall position vis-a-vis changes in the Formula, this level of analysis should provide more than an adequate degree of confidence.

CONCLUSION

For the reasons set forth above, ITT Worldcom submits that the issues set forth in the Commission's Order in this investigation do not require the

the imposition of a further delay in this proceeding for purposes of collecting data on unrouted traffic and that the self interested rationale of RCA Globcom for such a delay is not in the public interest nor otherwise merited. Therefore, we respectfully urge the Commission to dismiss or reject any requests for further delay in this proceeding for such purposes and require that the initial responses in this investigation will be due within two weeks following the Commission's Order disposing of this matter.

Respectfully submitted,

John A. Ligon

John A. Ligon

JAL/jl
Enc.

ITT Worldcom has analyzed the available data accumulated from the International Quota Bureau (IQB) records for the year 1972 in an attempt to quantify the number of routed and unrouted messages to each sub-area destination. The attached schedule lists the sub-areas to which there is a significant volume of traffic and indicates, by carrier, the amount of routed and unrouted traffic to each major sub-area together with the number of messages which cannot be specifically determined as to whether they are routed or unrouted.

This analysis reflects the fact that for many sub-areas the volume of traffic which cannot be specifically determined as to its being routed or unrouted is relatively small. For example, of traffic destined to Germany, totalling 347,000 messages, only 10,000 messages, or less than 3% of total traffic, cannot be identified as being routed or unrouted. We can further determine that at least 166,000 (but no more than 176,000) messages are, in fact, specifically routed. This represents approximately 50% of total traffic to that sub-area. It would not be unreasonable, therefore, to assume that 50% of the 10,000 messages are routed. On this basis along with experienced judgment each carrier should be able to estimate with reasonable precision the impact of any change in the formula.

Even in a situation where a relatively large portion of the total traffic cannot be identified as between routed and unrouted a reasonable approximation can be made as to how much of that traffic is routed. For the United Kingdom, for example, which has the highest percentage of traffic not identified as to routed or unrouted, an analysis along the following lines would be appropriate. We can determine that at least 314,000 messages, or approximately 41% of the total traffic, are specifically routed. It would be entirely reasonable to assume that the "unidentified" traffic was made up of at least 40% routed messages and probably no more than 60%. Within this range experienced judgments can be made by individual carriers to produce acceptable estimates of the impact of any change in the Formula for traffic destined to that sub-area.

Moreover, the example of the United Kingdom is an extreme one, whereas in fact the amount of "unidentified" traffic to most of the sub-areas is relatively minor. Based upon the amount of routed and unrouted traffic data available, judicious estimates can be employed in most cases to very precisely segregate the "unidentified" traffic as between routed and unrouted, thereby affording the means where each carrier can determine the effect of a change in the Formula.

Finally, ITT Worldcom notes that some carriers have urged that the data reported to the IQB may contain errors and therefore are unusable. We submit that these errors, if there are any, cannot be significant and should not serve to render this data invalid. Further, differences between the data reported to the IQB and to the FCC for other reporting requirements are largely reconcilable. At any event differences which may exist in the present data are likely of no more significance than those which would normally be expected from using any historical data to predict future occurrences, given the certainty of constantly changing traffic patterns. These differences would occur in any presently obtained set of data, no matter with what precision the data were collected.

ANALYSIS OF MAJOR SUB-AREA DESTINATION POINTS
ROUTED, UNROUTED AND TOTAL TRAFFIC
(in thousands of messages)

SUB-AREA	ITT			RCA			WUI			TRT			NOT IDENTIFIED AS TO ROUTED ON UNROUTED	TOTAL
	RTD	UNRTD	T	RTD	UNRTD	T	RTD	UNRTD	T	RTD	UNRTD	T		
UK & Eire	141	-	141	114	-	114	59+	?	517	-	-	-	457	771
Continental Europe	108	-	108	98+	?	310	85	-	85	-	-	-	212	503
Beyond the Cont.	307	-	307	394+	?	807	196	-	196	-	-	-	413	1,310
Belgium	19	-	19	20	5	25	17+	9+	28	-	-	-	2	72
France	55	27	82	50	13	63	44+	71+	125	-	-	-	10	270
Germany	55	29	84	61	35	96	50+	170+	166	-	-	-	10	347
Holland	22	-	22	22	13	35	18+	23+	44	-	-	-	3	101
Italy	68	9	77	62	33	95	54+	107+	174	-	-	-	13	346
Greece	18	-	18	20	20	40	11+	29+	43	-	-	-	3	101
Brit. W. Indies	35	-	35	33	-	33	36+	11+	51	10	-	10	4	137
Cuba	43+	47+	101	4	-	4	20	50	70	85	-	85	10	259
Dom. Republic	28+	2+	31	31	6	37	12	-	12	4	-	4	1	84
Puerto Rico	42	19	61	29	-	29	25	50	75	11	-	11	-	177
Central America	55+	?	118	62	-	62	37	-	37	61	-	61	63	278
Colombia	43	-	43	25	-	25	19	-	19	5+	?	38	33	125
Ecuador/Venezuela	117	15	132	44	2	46	34	-	34	16	-	16	-	228
South America	235	-	235	138	-	138	45+	?	201	30	-	30	156	604
Hawaii	24	-	24	9+	?	98	19	-	19	-	-	-	89	141
Australia/N. Zealand	62	-	62	94	37	131	53	-	53	6	13	19 (1)	-	263
Hong Kong	77	-	77	71+	?	140	27	-	27	-	-	-	69	244
Formosa	62	-	62	62+	?	110	19	-	19	-	-	-	48	191
Japan	114	-	114	92+	?	252	45	-	45	-	-	-	160	411
Korea	30	9	39	52	11	63	13	-	13	-	-	-	-	114
Malay States	43	-	43	39+	?	66	20	-	20	-	-	-	27	129
Philippines	57	53	110	52	13	65	25	-	25	-	-	-	-	201

Note: This analysis was prepared from data prepared by the IQB for total messages handled by the record carrier, from summary instruction from the IQB to Western Union Telegraph Co. for distributing unrouted traffic, and from a summary of routed and unrouted traffic tallies as prepared by the IQB

(1) Represents CNT and CPR Traffic; TRT reports no traffic to Australaria

Legend

+ - The amount indicated plus aportion of unidentified traffic represents total routed or unrouted
? - Unrouted traffic is not determined but represents a portion of the total unidentified traffic.

CERTIFICATE OF SERVICE

I, Joanne E. Lucey, hereby certify that I have this 11th day of March, 1974, mailed by United States Mail, postage prepaid, a copy of the foregoing letter, filed with the Federal Communications Commission, on behalf of ITT World Communications Inc., to the following:

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Joanne E. Lucey

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.	)	Docket No. 19660 RM-690

To: The Commission

COMMENTS OF RCA GLOBAL COMMUNICATIONS, INC.

RCA Global Communications, Inc. (RCA Globcom) hereby provides its comments in response to the Commission's Memorandum Opinion and Order, (Order), 43 F.C.C. 2d 1174, on the basic question of whether the existing formula under which distribution of outbound international message telegrams is made is unjust, unreasonable, and inequitable, or not in the public interest and, if so, what changes in the formula should be made.* In furtherance of this general question, the Commission specified that the investigation should also include inquiry into the following issues:

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* The comments provided herein are without prejudice to our position that the requirement for a full hearing contained in Section 222(e)(3) can only be satisfied by an oral, evidentiary hearing and not by a paper rulemaking one.

(1) The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas.

(2) The nature, extent and reason for the existing overages and deficiencies in assigned quotas. In this connection, each carrier shall present full data with respect to its overages or deficiencies, by area and sub-area, as of each year-end for the ten (10) years ending December 31, 1972, and an estimate for the year ending December 31, 1973; as well as the totals, by area and sub-area, since distribution began under the formula.

(3) The present defects in the formula, pointing out with specificity the effect of each defect, not only on the respondent, but also on other international record carriers and on the quality of service provided to and rates charged the using public.

(4) The specific amendments which should be made to the formula to remove each such defect, the effect each such amendment will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public.

Preliminary Statement

RCA Globcom does not believe that it is necessary to recount the various provisions of the formula or the general manner in which they operate. This background information has been provided in the Commission's Order and various pleadings already filed and there is no need to repeat it. Likewise, it is not necessary to detail the history of this proceeding other than as it relates to our ability to fully respond to the issues of inquiry set out by the Commission.

In this respect, it should be noted that RCA Globcom is unable to answer issues (1) and (2) insofar as they require the production of information on the actual distribution being made under the formula today or issues (3) and (4) as they relate to forecasting effects on individual carriers of changes in the formula. As the Commission recognized in its Memorandum Opinion and Order released June 10, 1974 (FCC 74-565), the data base needed to answer these questions is not in existence. For that reason the Commission has required that special studies utilizing statistical sampling procedures be done so that the needed information can be accumulated. The design format of these studies has been submitted by The Western Union Telegraph Company (Western Union) and is now being reviewed by RCA Globcom. After the design of the studies has been approved and the studies themselves completed, RCA Globcom will be in a position to accurately comment on these issues and will do so.

As to the general issue on the lawfulness of the formula, RCA Globcom believes that the Commission's determination in the Western Union Merger Proceeding, 10 F.C.C. 184 (1943) is still valid. In that decision the Commission found that the existing formula to be just, reasonable, equitable, and in the public interest and that it would effectuate the purposes of Section 222(e) of the Communications Act. The passage of time has not invalidated that determination. Specifically, we will show the following in the detailed comments below:

- A carrier seeking a change in the formula must first carry the burden of proving that the present formula is unjust, unreasonable, and inequitable, or not in the public interest.
- The need for change in the formula must be evaluated in terms of the public interest and not solely whether an individual carrier will benefit from the change.
- A change in the formula that would increase sales expenses of the carriers or arbitrarily redistribute existing traffic would not serve the public interest.
- If a change in the formula is found to be in the public interest, the accumulated overages and deficiencies must be recognized.

The Order Appears To Improperly Shift The Burden Of Showing The Unlawfulness Of The Existing Formula From ITT To The Other International Record Carriers

After discussing the various petitions before it, the Commission stated that the question to be decided in this proceeding is whether the existing formula is outmoded and needs to be changed. It then asserted that "the ITT petition and associated pleadings make a _prima facie_ showing that the current formula is or will be unjust, unreasonable, or inequitable and thus not in the public interest." We submit that this assertion by the Commission is improper and totally without support. If followed by the Commission, it would act to improperly shift the initial burden of showing the unlawfulness of the existing formula from ITT to the other international carriers that believe the formula operates in the public interest in accordance with the Commission's findings in 1943. Such a shift in the burden of proof, not only is contrary to the express provision of the Communications Act, but it also violates the Administrative Procedure Act, and is at odds with the established law that Commission orders have the presumption of validity. In fact, it must rest on the legally unacceptable principle that time alone will render a valid decision unlawful.

Section 222(e)(3) states that whenever the Commission finds that the existing method of distributing telegraph traffic "is or will be unjust, unreasonable, or inequitable, or not in the public interest," the Commission will prescribe a change in the formula so that it will conform to the statutory standard. In accordance with the statute, the Commission's duty is twofold. It must find the existing method of distribution to be contrary to the public interest and only then may it undertake to prescribe a different formula.

In the past the Commission has always followed this two-step procedure when dealing with the formula. In its decision in the Western Union Divestment Case, 30 F.C.C. 323 (1961), the Commission stated clearly

> there are two questions to be resolved. The first relates to the propriety of providing for changes in the formula in the agreement [for the divestment] and the second relates to whether we can make the finding required by section 222(e)(3) that the present formula is now or, if the plan before us is consummated will be unjust, unreasonable, inequitable, or not in the public interest. Id. at 371.

The Commission then went on to evaluate the specific proposals before it "in light of the obligations imposed . . . by subsection 222(e)(3)." Id. at 372.

The apparent attempt to discard the first phase of the two-step process would immediately and improperly cast the burden of proving that the existing formula is lawful upon RCA Globcom and the other carriers opposing a change would be also contrary to the Administrative Procedure Act. Thus Section 556(e) provides that the proponent of a rule or order has the burden of proof unless otherwise provided by statute or rule.* ITT, as proponent of a change in the formula, is required to carry the burden of showing the existing method of distribution found by the Commission to be in the public interest is, in fact, not in the public interest.

The language in the recent Order is at odds with the normal presumption given to Commission orders. It must be remembered that the formula is not a mere agreement of the parties. It was prescribed by the Commission as being in the public interest. If the question as to its validity were raised in a court, there would be no doubt that its orders would be entitled to a presumption of validity. See Florida Citrus

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*Section 556 is applicable to this proceeding since Section 222 is a proceeding that can only be decided "after a full hearing". As we stated to the Commission in our letter of January 15, 1974, and showed in brief in Docket No. 19660, the Western Union Landlines Case, Section 222 is only satisfied by means of an oral, evidentiary hearing and not by a paper rulemaking proceeding.

Commission v. United States, 144 F. Supp. 517 (1956). Therefore, the Commission should in this proceeding accord the formula, which it prescribed as being in the public interest, the presumption of being still lawful and should not proceed with the prescription of a new formula unless the existing one has been conclusively shown to be contrary to the public interest.

The Notice gives the impression that the present formula is thought to be contrary to the public interest because it is "anachronistic", "outmoded" or just old. It is certainly not anachronistic and to upset it merely because it is 30 years old must as a legal concept be rejected outright. The age of a Commission order does not give a presumption of invalidity; if anything, the contrary must be the case since the formula has withstood the test of time. Thus in an analogous case, the Interstate Commerce Commission found that the age of an existing division of revenues between two rail carriers affords no presumption that it was unreasonable. New England Divisions Case, 62 I.C.C. 513, at 563. It is apparent that the acceptance of the opposite position would mean that every decision older than a certain limit, and certainly the Communications Act itself, would be anachronistic as well as prima facie unlawful.

It is also strange that the Commission could have been so quick to state that a prima facie case has been made that the formula is contrary to the public interest since the main pleading under consideration by the Commission was filed in 1964.* Thus, it would seem implausible that a pleading could make a prima facie case in 1974 when it was insufficient to present such a case in 1964. Surely Commission inaction for the past ten years indicates either that it did not feel in 1964 or in the intervening years that the ITT petition posessed sufficient merit to justify a hearing or that the Commission for ten years tolerated a formula which a pleading before it demonstrated to be _prima facie_ unjust and unreasonable. We do not believe that the latter situation would be permitted to exist, much less to continue, without attention for a decade. One must consider then that the Commission misspoke when it stated that ITT has already made a _prima facie_ showing.

The Criteria Used To Determine Whether The Existing Formula Is Lawful Is The Public Interest And Not Solely The Private Interest of ITT

Section 222(e)(3) provides that whenever the Commission finds existing formula to be unjust, unreasonable, or inequitable, or not in the public interest, it shall by order prescribe a formula which will be just, reasonable, equitable, and in the public interest. It is quite clear that this statutory standard cannot be satisfied by merely examining the benefits to be received by a single carrier from a change in the formula. Rather the change must be examined in the context of its effect on all of the carriers and most particularly on the public interest. The Commission has expressed the statutory obligation in the following manner:

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*The additional comments filed by ITT on June 26, 1973 did not substantively add to their position or present additional facts indicating that a revision was desirable or necessary to meet the statutory standard.

> In arriving at a formula which is just, reasonable, equitable, and in the public interest, consideration should not be limited to a single factor which may favor one particular set of interests or another. Weight should be given to the equities as between the various carriers, and to the interest of the public in maintaining the strength and service of all carriers which are in a position to render efficient economical service, or, in the terms of section 1 of the Communications Act of 1934, to the development of "a rapid, efficient,*** and worldwide wire and radio communications service with adequate facilities at reasonable charges for the purpose of the national defense," and for other designated purposes. Western Union Merger Proceeding, at 189.

At this point, ITT has completely failed to meet the standard just described. Its original complaint filed in 1964 and the supplementing letter filed on July 11, 1973 are limited to a exposition of why the formula will benefit ITT. The effects on the other carriers are completely ignored.

In its complaint, ITT devotes approximately half of the document to a recitation of the manner in which the formula operates. Thereafter it discusses several provisions of the formula which cause it in some instances to receive less traffic than it desires. It appears that the main thrust of ITT's complaint is that the formula is structured in such a manner that it, in some way, inhibits competition. ITT states that under the quota system, "the harder a given international carrier works to have messages routed over its facilities by sender's "Via" the less likely it is to receive a share of the unrouted traffic which, whatever the quantity thereof, will always be available from the WU landlines pool." Complaint, page 8.

We assume that the ITT position must rest on the dubious assumption that the more the carriers spend on selling activities for the static and declining amount of international message telegrams the more the public interest is served. Such spending cannot automatically be equated with the public interest.*

In Federal Communications Commission v. RCA Communications, Inc. 346 U.S. 86 (1953), the Supreme Court stated that the existence of a regulatory structure under Congressionally devised public interest standards meant that the Commission could not equate competition with the public interest unless it could be shown to be beneficial.

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*ITT's position in the instant proceeding is at odds with the position it so strongly, and correctly stated in requesting reconsideration of the grant of authority to TRT to serve the United Kingdom. There it stated that a carrier seeking Section 214 authorization must show that the public interest will be served and not only that of the individual carrier applying for facilities to a new point.

This position has recently been reaffirmed by the Court of Appeals when it stated:

> Looming large in the Commission's rationale, indeed, undeniably the key factor in its decision, is competition. Competition as a factor might have some relevance to the FCC decision, if competition had been shown to be of benefit to the public on the communication routes in question. Yet it is all too embarrassingly apparent that the Commission has been thinking about competition, not in terms primarily as to its benefit to the public, but specifically with the objective of equalizing competition among competitors.
>
> This is not the objective or role assigned by law to the Federal Communications Commission. As a result of focusing first on competitors, next on competition, and then on the public interest, the FCC has given scant attention to the question of public convenience and necessity, and therefore has not met its statutorily imposed duty. Hawaiian Telephone Company v. Federal Communications Commission, Case No. 73-1018, ______ F. 2d ______ (D.C. Cir., decided May 3, 1974).

Therefore, until such time as the burden imposed by the statute can be met, the Commission cannot change the formula.

A Change In The Formula Which Would Increase Selling Costs Or Arbitrarily Redistribute The Existing Traffic Would Be Contrary To The Public Interest

To properly understand why increased selling costs will not benefit the public through reduced rates or other means, it is first necessary to look at the nature of international message telegram service. Its most significant aspect, whether domestic or international, is that it is, in some respects, an obsolescent method of communications. The pure function of communicating between two points can be accomplished in most cases more quickly and/or less expensively by other services such as telex.

A second important consideration is the fact that message telegram service is the most labor-intensive telecommunications service offered today. Manpower is required at many steps in the handling process whether it be the reception over the counter at a public office or delivery by a telephone center designed to handle large quantities of messages.* The implication of this aspect is that message telegram costs will likely continue to increase. By its very nature, it is improbable that technological innovation, such as less costly cables or satellites, will have a significant stabilizing effect on telegram costs.

The first of these two factors can be seen in the decline in outbound message volume handled by the total international record industry. The statistics prepared by the International Quota Bureau for the years 1963 through 1973 show the following trend:

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*RCA Globcom has, of course, made as much use as possible of computers to automatically handle international telegrams. But it is impossible to reduce the manpower required to the level used in telex or private line services.

Industry Outbound International Telegram Traffic Originating In The Continental United States

	Number of Messages
1963	8,959,373
1964	9,266,979
1965	9,578,080
1966	9,819,131
1967	9,765,603
1968	10,076,172
1969	10,356,548
1970	9,976,768
1971	8,521,885
1972	8,191,540
1973	8,482,066

As can be seen, the message volume today is approximately 6% lower than it was in 1963. Further the highest volume year, 1969, was only approximately 16% greater than 1963. When compared with other services, such as telex and switched telephone,* these figures show a complete absence of significant growth over even part of the period.

An examination of the volumes of domestic message telegrams can also be informative. If it is assumed that the domestic experience reflects the longer term trend for the international market, then it can be seen that only decreases in volume can be expected.

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*For example, the interantional record carriers' total telex revenue in 1963 was $13.7 million as compared to $114.4 in 1973. And, of course, the growth in terms of the number of calls is considerably greater since numerous rate reductions have been made since 1963.

Western Union Domestic Telegram Traffic

	Number of Messages (Millions)
1963	92.9
1964	86.8
1965	83.3
1966	81.7
1967	77.9
1968	74.4
1969	65.5
1970	57.9
1971	34.9
1972	30.5
1973	22.1

The second of the factors mentioned above, i.e. increasing costs due to the labor intensive feature of the service, means that there is no possibility that rate reductions will be made in an inflating economy. Rather every possible cost-saving measure must be implemented merely to maintain the existing level of rates.

These two factors completely distinguish the instant situation from those in which the Commission has found that increased competition would be useful as an aid to regulation and would bring benefits to the public. In the specialized common carrier field, the Commission explicitly recognized that it was authorizing entry into "a new, relatively untouched market in a field where even present demand is growing at a very rapid rate." Notice of Inquiry to Formulate Policy, 24 F.C.C. 2d 318 (1970), paragraph 34. It was only after finding, among other things, that the potential market would support new carriers that the Commission decided that the public would benefit from their entry. Likewise, in the domestic satellite field, the Commission was presented with a new technological tool and was trying to ensure the provision of existing and new specialized services more economically and efficiently than through terrestrial facilities. Second Report and Order, 35 F.C.C. 2d 844 (1972). Neither of these considerations found to favor increased domestic competition are present with international message telegram service.

It should be emphasized that the Commission has already recognized that the formula services the public interest through restraining increasing selling costs and the deleterious effects thereof. It stated in the Western Union Merger Proceeding that the combination of routes, unrouted, and self-originated traffic

> diminishes the incentive of the international carriers to expend effort and revenues in attempts to divert traffic from each other by solicitation efforts which may not improve quality of service; and it also diminishes the necessity for these carriers to build up additional facilities for the collection of their own traffic, in duplication of existing facilities of the merged company. These savings should contribute to a more efficiently and economically operated international telegraph system. Id. at page 191.

These considerations are as sound today as when written in 1943.

A revision in the formula which would create an incentive for the carriers to greatly increase their sales and related expenses would not increase the quality of the service one whit or even the quantity of messages in any significant way. To date, no indication has been received that the international record carriers have failed to implement beneficial changes in the method of providing message telegrams. ITT, in its original complaint, recognized that carriers have introduced new services and brought about the application of improved operating techniques under the existing formula. Complaint, page 3. Rather, we believe whatever benefits are to be derived from competition are already being realized. Likewise, we have seen no suggestion by ITT that a revision in the formula will allow it to make rate reductions for the service. As already stated, ITT's proposal is not directed at the consuming public but rather only at its private interests in receiving a larger portion of the market.

Other suggestions for revising the formula would have a similar effect. Thus it has been suggested that each of the international carriers receive 1/3 of the pool of outbound message telegrams. This type of arbitrary realignment serves no purpose and would fail to reflect that the carriers have geared their plant capacity, other facilities, and personnel requirements to the size of the existing and forecasted market. If, for example, the quantity of traffic we handle were arbitrarily reduced by a significant percentage, then excess capacity would be created. Yet RCA Globcom would have the same total costs of providing a smaller amount of traffic. Obviously the financial picture of providing message telegrams would be even worse than it is today. And exactly the opposite would happen to any carrier that received a substantial increase as a result of an arbitrary change in the formula. Its plant would be insufficient to properly handle the load of traffic forcing it to expand. This additional cost would have to be borne by the customers of the service. Yet the end result is that the same quantity of traffic would be handled but with less efficiency, greater cost to the carriers, and presumably an eventual increase in rates to the customers. Surely, there is no public interest in this type of result.

We, therefore, return to the basic question which the Commission must address: What is the basic fault with the existing formula? It provides a method of distributing the existing traffic; it does provide for direct routing when desired by the customer; it does use the competitive efforts of the carriers within limits which are recognized to yield public benefits; and it does give a stability to the industry which might otherwise not exist. In particular, the existence of the formula over several decades has shaped and sized the facilities maintained by each carrier. In return, each carrier has certain provisions which uniquely benefit it. Thus, ITT receives all of the unrouted traffic to certain areas of the world. WUI has special benefits as a result of certain Western Union offices being considered as WUI's for the purpose of making the distribution under the formula. The total effect of these compromises is a method of distribution which serves the public interest.

Any Change In The Formula Must Recognize The Accumulated Overages And Deficiencies

Even though RCA Globcom believes that public interest requires that the existing formula remain unchanged, the Commission must recognize, assuming for purposes of argument a change is made, that the accumulated overages and deficiencies represent a lawful obligation which may not equitably or legally be voided without the consent of all parties.

As was explained in the Order, an overage is the amount by which a carrier has exceeded its quota for any category of traffic to a subarea and a deficiency occurs when the routed and unrouted traffic turned over to a carrier is insufficient to satisfy the quota. ITT's accumulated overage as of December 1973 was $24.6 million meaning that it had received that much in excess of the quota specified in the formula. On the other hand, RCA Globcom had an accumulated deficiency of $49.8 million as of the same date.

To understand the significance and legal effect of these dollar amounts, it must be understood that the formula is not the same as a carrier-filed rate or an intercarrier contract which has not met the scrutiny of the Commission. Rather the overages and deficiencies result from a Commission prescribed formula which has the same force and effect as Section 222(e)(3) itself. Once having determined that the formula which gives rise to these amounts is in the public interest, the Commission cannot then go back and state that their accumulation is contrary to the public interest and should be voided. A Commission order to this effect would surely be beyond the Commission's authority. And aside from the Commission's legal obligation to recognize these accumulations, there exists RCA Globcom's equitable claim for recognition that it has in good faith complied with the formula under the assumption that the continuing obligations as reflected by the overages and deficiencies would be honored. Thus, if a change in the formula is to be made, the change must reflect the accumulated overages and deficiencies or be the result of a compromise solution under which the parties would have voluntarily relinquished their right under the formula in return for other benefits such carriers find compensatory.

Conclusion

In view of the foregoing, RCA Globcom requests that the Commission again find that the formula continues to operate in the public interest.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, Inc.

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July 8, 1974

CERTIFICATE OF SERVICE

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula prescribed under Section 222 of the Communications Act	)	Docket No. 19660 RM-690

COMMENTS OF ITT WORLD COMMUNICATIONS INC.

ITT World Communications Inc. (ITT Worldcom) hereby submits its position and responses respecting the issues raised in the investigation instituted by the Commission's Memorandum Opinion and Order (Order), released November 26, 1973,[1] in the above captioned docket. The overall issue to which the Commission has directed the responses of the parties to this investigation is the question of whether the formula for distribution of unrouted outbound international telegraphic message traffic (formula), currently in use, is unjust, unreasonable, inequitable or not in the public interest.

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[1] 43 FCC 2d 1174

Statement of Position

The formula presently in use was prescribed by the Commission on September 27, 1943. At that time the Commission and most, if not all, of the interested carriers recognized that many of its terms and conditions were dictated by exigencies of the period, principally the concurrence of World War II, and a concern that the merged domestic carrier would tend to favor its international operations. While divestment of such international operations had been ordered, the timing of the divestment was uncertain. It is clear therefore that the formula was expected to undergo an early revision, at least by the time the required divestment was completed. Nevertheless, that basic formula is still in use in 1974, over thirty years later.

The continued use of this formula, with its fixed quotas tied to traffic distribution from a base period, over thirty years past, has resulted in an increasingly arbitrary and inequitable distribution of unrouted traffic. This formula does not serve the public interest; it must be revised. ITT Worldcom believes that a formula which encourages rather than discourages competitive enterprise will best serve the public interest and that such a formula, as proposed hereafter, will provide a just, reasonable and equitable distribution of the unrouted traffic.

In brief, ITT Worldcom urges the Commission to revise the existing formula as follows:

(1) The fixed quotas, encompassing both routed and unrouted traffic, should be replaced by distributive system that allocates, on a current basis, unrouted traffic to each overseas point in direct proportion to the routed traffic carried to each such country by each carrier authorized to render direct telegraph message services to such country.

(2) The accumulated overages and deficiencies, which represent nothing more than a statistical measure of the unworkable nature of the existing quota system, should be eliminated along with the quota system.

(3) Schedule B should be recognized as an anachronistic market sharing agreement which should be terminated.

(4) The designation of certain Western Union Telegraph Company offices, located in international gateway cities, as offices of Western Union International, Inc. should be eliminated.

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D. Schedule B of the formula is an anachronistic market sharing device inconsistent with the public interest and should be abolished. 20.

E. The designation of all international messages filed in certain offices of the Western Union Telegraph Company located in gateway cities, as specifically routed via Western Union International constitutes an unfair competitive advantage for WUI and should be ended. 21.

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II. Attribution to the "accumulated overages and deficiencies" of any continuing or vested interest would require a strained and illogical construction of the 1943 formula and be completely contrary to the public interest. 23.

III. The existing quota system should be replaced by a formula that allocates unrouted international telegraph message service in proportion to routed traffic received by each carrier. 30.

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Appendix

Responses to Commission's Specific Issues.

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Formula Background

I. Establishment of quotas

Due to the merger in 1943 of The Western Union Telegraph Company (Western Union) and Postal Telegraph, Inc. (Postal) leaving only a single domestic telegraph carrier, a distributive formula was required for allocating unrouted outbound international telegraph message traffic, which originated with the domestic carrier, among the international record carriers (IRCs).[2/] After the interested IRCs failed to agree upon such a formula, the Commission prescribed the formula which is presently in use, by its Separate Report on Formulas For the Distribution of International Traffic, in Docket No. 6517, decided September 27, 1943 (10 FCC 184).

Pursuant to the 1943 formula, quotas were established for international telegraph message traffic to all international destinations from the U.S. gateway cities (New York, Washington, and San Francisco) and from the U.S. hinterland. Those international destinations were categorized and subdivided into three major Areas and approximately 50 Sub-areas. The Atlantic area was designated Area A, the Latin

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[2/] Such a formula was specifically authorized and required by Section 222(e) of the Communications Act. That Section provides, *inter alia*, that the interested carriers shall agree upon, or failing agreement, the Commission shall prescribe a "just, reasonable, and equitable formula, in the public interest" for distribution among the international carriers of outbound international telegraphic traffic by the domestic carrier.

American area was designated Area B, and the Pacific area was designated Area C. With one notable exception,[3] each international carrier serving a particular sub-area was assigned a quota of the total outbound traffic from each of the three principal U.S. gateways to the various sub-areas, and from the U.S. hinterland to the various sub-areas. These quotas were also separated by classification of telegraph message traffic (e.g., "Ordinary" and "Night Letter").

A carrier's quota for each category of traffic and between the U.S. gateways or hinterland and each destination sub-area was fixed as the percentage which that carrier's traffic bore to the total traffic carried by all carriers during the base period. The base period used, which still remains the same, is the calendar year 1942 for all sub-areas where normal operations were being conducted during that year. For those sub-areas where operations were suspended or otherwise abnormal during 1942 (due to the war in progress), the base period was chosen as the most recent twelve month period prior to 1942 when normal operations were occurring. Although the quotas for each carrier are defined in terms of proportionate participation in total traffic in a market, in application, the quotas are expressed as an equivalent percentage of gross international tolls. The term "gross international tolls" can be defined, for practical purposes, as to the tolls payable to an IRC for an international message, less the amount normally retained by Western Union for landline haul. Thus a given IRC would be allocated as its quota, a percentage of the gross international tolls for a particular sub-area and category of traffic equal to the percentage established by its base period traffic.

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[3] RCA Global Communications, Inc. elected not to receive a quota from any of its gateways to any of the sub-areas of Areas A and B.

As already noted, RCA Global Communications, Inc. (RCA Globcom) chose not to receive quotas from the U.S. gateways to any of the sub-areas of Areas A and B. That decision on the part of RCA Globcom, while possible fortuitous, was to provide enormously beneficial to that carrier in future operations under the formula, as will be explained hereafter. In those markets where RCA Globcom had chosen not to accept a quota, the quotas of the other carriers were determined as the percentage which each such carrier's traffic bore to the sum of the traffic carried by those carriers receiving quotas for the base period in question.

II. Distribution of traffic

In distributing international traffic among the international carriers, Western Union was required by the terms of the formula to adhere to the following instructions:

(1) Routed traffic was to be turned over to the carrier of

the sender's choice. The sender's "via" was to be honored in all cases.

(2) Unrouted traffic was to be distributed in such a manner as to maintain as nearly as practicable for each carrier having a quota, its proportionate share of gross international tolls pursuant to such quotas.

Since both routed and unrouted traffic received by a carrier is charged against its quotas, the operation of this formula tends to maintain constant market shares, between carriers, at the base period proportions. However, the proviso that all specifically routed traffic be distributed in accordance with the sender's routing has often produced a substantially skewed distribution of unrouted traffic in order to maintain quota balance. A carrier which, because of increased user preference, received routed traffic in excess of its historical share would be denied unrouted traffic of the same category and to the same sub-area, toward the goal of achieving quota balance. Correspondingly, a carrier which received a lower percentage of routed traffic than it had in the base year would have its "deficit" reduced by increased amounts of unrouted traffic.

Another balancing feature was inserted in this formula as a hedge against Western Union favoring its Cables Division prior to divestment. That provision requires that a carrier which receives routed traffic in excess of its quota for a given sub-area and category of traffic not only be denied any unrouted traffic for that category of traffic but to complete the "balance" must also give up unrouted traffic, to which it would otherwise have been entitled, for other categories of traffic to the same sub-area. Moreover, as an administrative measure, the International Quota Bureaa (IQB) has interpreted this offset provision such that a carrier which has an "overage" to a particular sub-area from a gateway, for example, will lose unrouted hinterland traffic to that sub-area, to which it would otherwise be entitled, and vice versa.

III. Accumulation of "overages" and "deficiencies"

The IOB has also determined, as administrator of the formula, to accumulate the statistical "overages" and "deficiencies" which are not neutralized in a given year through the balancing provisions of the formula. These accumulated statistical "overages" and "deficiencies" have then been treated as current during any given period of operation under the formula and an effort made again to neutralize them by balancing against current unrouted traffic. For reasons to be explained hereafter, these accumulations of the statistical "overages" and "deficiencies", rather than being reduced in subsequent years, have grown even larger, reaching the point now that there can be no realistic hope of ever neutralizing them through normal operation of the formula.

IV. Complaint of ITT Worldcom

On November 25, 1964, ITT Worldcom filed a Complaint with the Commission showing that this formula, tied as it was to quotas based upon 1943, or earlier, traffic distribution, had ceased to function in the public interest, operated to discourage competitive enterprise, and was causing highly unjust and inequitable distributions of unrouted traffic. The Commission was therefore urged to exert its continuing jurisdiction over the formula and to prescribe a new formula which would conform to the statutory mandate that the formula be just, reasonable and equitable and in the public interest.

On December 13, 1972 the Commission adopted a Notice of Inquiry and Proposed Rulemaking, in Docket No. 19660, (38 FCC 2d 543), wherein it proposed to institute a general inquiry of several related matters pertaining to the domestic handling of international record traffic, including the ITT Worldcom complaint against this formula. On May 25, 1973, the Chief of the Common Carrier Bureau requested all interested parties to update their 1964 comments to ITT Worldcom's Formula Complaint. Finally, by its Order, released November 26, 1973 the Commission explicitly set the formula for investigation.

In January of 1974, several carriers which were party to the investigation sought a delay in the proceeding for the purpose of devising and conducting a study of unrouted traffic presently received by each carrier. After discussions among the participating carriers and failure to reach agreement as to the necessity of such a study, the Commission was asked to resolve the matter. By its Memorandum Opinion and Order, released June 10, 1974, the Commission determined that a traffic study should be conducted, but parallel to the carrier responses so as not to further delay the investigation.

Support For Position

I. The present formula is unjust, unreasonable, inequitable, not in the public interest and must be substantially revised.

A. The quotas prescribed in the 1943 formula are obsolete and conceptually unsound.

A formula for the distribution of unrouted international telegraph message traffic was prescribed by the Commission in September of 1943. The distribution of traffic pursuant to that formula was based on quotas assigned each international record carrier. Those quotas, which include all traffic transferred by Western Union (routed and unrouted) and all traffic filed directly with the international record carriers, were derived from the proportional amount of total outbound traffic which each carrier had received for a given destination and category of traffic during a base period year, which was 1942, or earlier. Almost 31 years later, in July 1974 that same formula is still being used and the quotas based on 1942, or earlier, relative traffic distributions are still in effect. For so dynamic and competitive a field as international record communications, the mere use over almost a third of a century of a formula in which distribution is keyed to traffic statistics from a single year at the beginning of that period provides a clear and pressing argument for the immediate replacement of this formula with one established to serve the present and prospective requisites of international record communications and the public interest.

An even more serious flaw in the 1943 formula lies in the conceptual manner in which the quotas are applied. The quotas were established based on each carrier's proportionate share of the total outbound traffic from a U.S. origin (hinterland or gateway) to a given destination sub-area. When these quotas were used in the distributive formula, they were again applied to all traffic received by a given carrier (i.e., routed and unrouted traffic) and with balancing provisions in the formula which attempt to fulfill each carrier's quota. This application of quotas in the distributive formula to all traffic rather than to only unrouted traffic (the only traffic for which a distributive formula is actually necessary) will to the extent quotas can be met, require that relative traffic distribution for each succeeding year duplicate the base period proportionate distribution. Thus, rather than being a means for distributing unrouted traffic in accordance with some historical pattern, the formula became instead a device for attempted[4] maintenance of each carrier's market share at the same proportionate level as its share in the base period.

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[4] The attempt was not entirely successful because each carrier was permitted to keep all routed traffic sent to it regardless of quotas, and thus could exceed its base period traffic level with only routed traffic.

A formula for distributing unrouted international telegraph message traffic which operates to preserve the market shares of the international record carriers from a base period of 1942 or earlier cannot be found to serve the public interest in 1974. The existing formula with its archaic quotas should be given a long overdue retirement and replaced by a formula which is keyed to present market conditions, has provision for maintaining currency with a changing market and which encourages, not stifles, competitive enterprise.

B. The quota balancing provisions of the present formula are inequitable and operate to frustrate the public interest and Commission policy

Because the quotas for the 1943 formula encompassed both routed and unrouted traffic, and because the formula provided for no discretion with respect to the distribution of specifically routed traffic (it was always to be distributed to the carrier chosen by the sender), provisions were built into the formula to shift unrouted traffic in such a manner as to offset increases or decreases in the proportionate amount of routed traffic which a given carrier received, and thus to maintain its total traffic at or close to its quota. This balancing mechanism basically took place in two distinct steps. Initially, a carrier was allocated unrouted traffic for a given category of traffic 5/ in such amount

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5/ Throughout this discussion, unless the contrary is specifically stated, reference to traffic or quotas for a particular category of traffic implies a traffic movement from a specific U.S. origin(hinterland or gateway) to a particular destination sub-area.

as, when added to the total routed traffic (i.e. direct pickups as well as Western Union transfers) received by that carrier for the same category of traffic, would equal its quota for that category of traffic. As can be seen, a carrier which improved its services to the user, thereby increasing its share of specifically routed traffic through increasing customer loyalty to its service, would find its apparent reward for improved service largely nullified by the operation of the formula. The balancing provisions of the formula would take away unrouted traffic, on a one for one basis, up to the level of a carrier's quota, for increases in routed traffic. Similarly, a carrier whose quality of service deteriorated would apparently have little reason to take remedial action, since the formula would provide increased unrouted traffic to bring that carrier back near its quota level.

That there have not been substantial degradations of service during the life of this formula must be attributed largely to the propensity of most carriers to place a value on customer satisfaction and good will beyond the mere dollars and cents involved, and the expectation that this formula would soon be revised to eliminate these disincentives. If this formula is permitted to remain in effect for very much longer, however, rising costs for telegraph service (possibly higher landline divisions, general inflation, etc.) may well swing the balance away from a primary disposition to maintain customer good will, so that, with the disincentives of the formula, there exists little motivation for maintaining service quality.

A secondary balancing provision operates when a carrier receives routed traffic for a particular category of traffic which exceeds that carrier's quota for that category of traffic. Then, the formula requires that unrouted traffic from that carrier's quota for another category of traffic, but for the same U.S. origin and destination sub-area, be taken away from that carrier and given to carriers deficient in quota for the first category of traffic. This provision was apparently included in the formula solely as a hedge against the possibility that Western Union might tend to favor its Cables Division (whose divestment was required but not yet effected), as by influencing customers to route messages via its Cables Division. Whether or not there actually existed a need in 1943 for this proviso, such a need of requirement certainly ended in 1962 when divestment of its Cables Division was finally accomplished by Western Union.

Because quota imbalances were not always corrected by offsets between categories of traffic, the IQB has "interpreted" the formula to extend the quota offset concept so as to offset quota imbalances against unrouted traffic from other domestic points of origin.6/ Whereas the

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6/ This "interpretation" was opposed by ITT Worldcom, a position it has continued to maintain.

formula provides for quota balancing by shifting unrouted traffic between categories for the same traffic routing, the IQB interpretation expanded this concept to permit unrouted traffic received at a gateway to be used to offset quota imbalances in hinterland traffic received by a particular carrier for the same destination sub-area, and vice versa.

These quota balancing provisions just described constantly seek to maintain or restore the same relative traffic distribution among the IRCs as existed in the base period year (1942 or earlier). Such a concept of preserving fixed market shares, ad infinitum, is both contrary to the Commission's policies encouraging competitive enterprise and is demonstrably not in the public interest which benefits from healthy competition.

Many factors undoubtedly influence the nature and quality of communications services provided to users, but one very important factor is the belief or expectation that a given carrier's relative share of the traffic in a market will be rather closely related to the quality of its service in that market - i.e., improvements in service quality generally produce increases in market share. Use of the existing formula, however, tends to frustrate this expectation, through its rather artificial redistribution of traffic. Any traffic gain from improved service, or loss from poor quality service, will tend to be neutralized by operation of the formula. Unrouted traffic will be reduced for a carrier gaining other traffic and increased for a carrier losing other traffic.

Fortunately, the international record carriers have not succumbed to the formula disincentives and the formula era has, by and large, been marked by healthy and often vigorous competition among the IRCs, despite these disincentives to such competition. As earlier explained, this fact can be largely attributed to the overriding disposition of most carriers to provide high quality service in the interest of favorable customer relations, particularly since many of those telegraph customers will also be customers for other services offered by a carrier. In addition, because of limitations in the amount of unrouted traffic available, the balancing provisions of the formula have not been entirely successful in either negating gains or compensating for losses from the base period traffic proportions. In some instances, too, a carrier may attempt to secure routed traffic based on the probability that any return message would also be routed via it; this factor would, however, also apply to any unrouted traffic actually received.

Although competitive enterprise seems to have survived the disincentives of the formula, it is quite within the bounds of reason to believe that the public might well have been even better served in a competitive environment free of these disincentives. Equally important, while the competitive spirit may have remained intact, the fruits of such competition under this formula are gross distortions and serious inequities in the distribution of unrouted traffic, as described more fully in the next section. Relative market shares have often changed dramatically since the formula's inception in 1943, due to the existence of this competitive spirit. Yet the formula, rather than reflecting these changed market conditions, continues, after over thirty years, its efforts to restore the same relative traffic distributions existing in the base period year of 1942 or earlier. The net result of course, is that those carriers who have served the public well and improved their market share are in effect penalized for their successes by being largely denied any unrouted traffic.

C. Traffic distributions based on statistical "overages" and "deficiencies" accumulated from year to year result in serious inequities and a wholly arbitrary allocation of unrouted traffic between carriers

The failure of the 1943 formula to acheive its apparent goal of maintaining traffic for each carrier proportionally constant at the base period can be principally attributed to the following factors. First, each carrier was permitted under the formula to keep all traffic specifically routed to it, regardless of quota; and second, competitive enterprise among the carrier's, while perhaps somewhat stifled by the formula, was certainly not eliminated. As a result of a continuing competitive spirit, various carriers in various markets attempted, often successfully, to improve their relative market shares, in spite of the disincentives to such which were built into the formula. These successful market improvement efforts caused the correlative effects of increasing the amount of routed traffic which must be offset by shifts in unrouted traffic towards the goal of quota balance, and at the same time reducing the total pool of unrouted traffic available for such balancing offsets (i.e., much of the traffic gain by specific carriers resulted from conversion of formerly unrouted traffic to specifically routed traffic). It did not take long for instances to occur where, even with all of the balancing provisions built into the formula, a carrier would accrue a sufficient excess of specifically routed traffic that an offsetting adjustment for quota balancing simply could not be made because of lack of comparable unrouted traffic in sufficient quantity. A quota imbalance was then created for which no neutralizing means existed under the formula.

Responding to the dilemma the IQB produced yet another administrative "interpretation" of the formula. A quota imbalance (generally called an "overage" where traffic received exceeds quota, and a "deficiency" where less traffic is received than quota), which could not be neutralized in the year of occurrence would be carried over to the next year in an attempt to neutralize it with unrouted traffic from the new year. Whatever the merit or lack thereof in this effort to thwart the will of the market place in order to maintain the base period market shares, the particular means adopted to this end must be judged a colossal failure. Moreover, this result was, or should have been, fairly expectable.

The root cause of the developing overages and deficiencies, as already explained, lay in traffic shifts resulting from competition between carriers and a shrinking pool of unrouted traffic with which to offset those shifts. Therefore the Bureau's decision to carry over these imbalances into a new year must have been predicated on the assumption, perhaps only a hope, that the future would bring either an increase in the unrouted traffic pool or a natural reversal of the shifts in routed traffic which had been occurring. In retrospect, at least, the former was clearly unrealistic. While perhaps experiencing some leveling off, there has been no reversal of the trend of unrouted traffic to decrease as a percentage of total traffic. Secondly, the traffic shifts contributing to these imbalances largely resulted from inroads made by carriers having a minority position in a market, into the traffic share of heavily dominant carriers. Short of unlawful predatory action on the part of such dominant carrier, there would be little reason to expect these shifts to be reversed. Nevertheless, these carry-overs were continued and the rest is history.[7/] As these imbalances were carried over year after year, seldom was there any reduction, but instead they frequently grew larger as new imbalances developed in a current year had to be added onto those carried over from previous years.

Finally, with the accumulated quota imbalances growing ever larger, what little remaining rationality existed in the distribution mechanism of the formula was effectively eviscerated in an apparent last ditch effort, on the part of the IOB, to restore an orderly traffic distribution. In all markets where a carried forward (hereafter "cumulative") quota imbalance existed (which were becoming increasingly numerous), unrouted traffic was thereafter to be distributed in accordance with a net imbalance between hinterland and gateways for traffic to a given sub-area. Under this concept, a carrier, for example, with a cumulative overage from the hinterland to a particular sub-area (i.e., well over its quota to that sub-area) may still be given unrouted traffic to that sub-area if its has a gateway deficiency to that sub-area greater than its hinterland overage, a net deficiency. Of course, it will also be receiving unrouted traffic from the gateway. Correspondingly, the carrier or carriers with a gateway overage to that same sub-area and a hinterland deficiency, netting to an overage, will receive no unrouted traffic to that sub-area from either hinterland or gateway. Thus

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[7/] See discussion under Specific Response to Commission Issue 2, Appendix Issue (2), p. 1-8.

no longer is traffic distribution even keyed to maintenance of some historic traffic pattern, but rather the formula administration has evolved into a distribution based solely on a series of statistical abstractions that, for most sub-areas, allocates all unrouted traffic to a single carrier; moreover, those statistical abstractions, even in their most meaningful context evince little more than the wholly unworkable concept underlying this formula. A more arbitrary approach to unrouted traffic distribution can hardly be imagined. And after thirty years of attempting unsuccessfully to make this formula workable, it is manifest that its further use can only result in increasingly arbitrary and inequitable distributions of traffic.

To sum up, for a carrier which exercises the "poor judgment" to offer a superior service which results in increased patronage for its specific service, an offsetting reduction in the unrouted traffic, which it would otherwise receive, is excised by the balancing provisions of the formula. Moreover, with the existing administration of the formula, such a carrier will not only lose unrouted traffic in the year in which a traffic gain is made, but also for every year thereafter unless and until the newly acquired traffic is either lost or given up to another carrier. And the carrier that enjoys increasing traffic for more than a few years in succession will likely find all unrouted traffic taken away, with virtually no likelihood of regaining any of it. The inequity of such a system, which severly penalizes superior service by, and customer loyalty to a carrier, should not require further elaboration.

D. Schedule B of the formula is an anachronistic market sharing device inconsistent with the public interest and should be abolished

Schedule B of the formula provides for the transfer of approximately 60% of the messages in WUI's quota for sub-areas of Area A to be transferred to RCA Globcom in accordance with a special agreement between RCA and WUI which was incorporated into the formula. This agreement represents, more or less, a novation of a contract existing between RCA and Western Union (whose Cables Division became WUI) prior to the time the formula came into being, which provided for certain reciprocal exchanges of traffic between the two companies. Although ITT Worldcom has no direct interest in the traffic transferred pursuant to Schedule B, it believes that the public interest is generally ill served by market sharing agreements such as this, and absent strong countervailing considerations, the Commission should require cancellation of this agreement

It appears that the only basis for the agreement being entered into in 1943 derived from the unexpired traffic exchange agreement between RCA and Western Union prior to the formula. Certainly the use of Schedule B over the last thirty years has to be considered good and sufficient consideration in satisfaction of whatever contractual obligation may have existed at the inception of the agreement in 1943. Schedule B thus encompasses an agreement for the allocation of market shares which negates competitive enterprise and is therefore contrary to the public interest and for which there exists no apparent offsetting justification. The Commission is therefore urged to exclude Schedule B or any like private, market-sharing agreement from the formula which it hereafter prescribes.

E. The designation of all international messages filed in certain offices of the Western Union Telegraph Company located in gateway cities, as specifically routed via Western Union International constitutes an unfair competitive advantage for WUI and should be ended.

In its decision approving the divestment by Western Union of its Cables Division, to become the independent carrier, WUI, the Commission determined that WUI should be given all traffic filed at Western Union offices south of 60th Street in Manhattan and at two Western Union offices in Washington and two such offices in San Francisco, as specifically routed via WUI (30 F.C.C. 323, 1961). This decision, which had the effect of permitting WUI to use those Western Union offices as its own gateway pickup facilities and thus be spared the burden of opening its own offices to compete with the other IRCs, was largely predicated on the Commission's belief that WUI required this advantage at the time to be competitively viable.

Over thirteen years have now passed since WUI first entered the international record communications arena. Whatever may have been its competitive limitations in 1961, WUI today is clearly a viable, aggressive competitor for the other IRCs. Consequently, its continued use of Western Union gateway offices as its own, results in an unfair and unnecessary competitive advantage vis a vis other IRCs. Not only does WUI avoid much of the expense of maintaining its own offices, but by receiving all international messages received at those Western Union gateway offices, WUI fosters confusion on the part of the public and some Western Union employees, as to the appropriate means of routing, or not routing, traffic via a particular international carrier.

ITT Worldcom submits that WUI has, in its 13 year existence become a strong and viable competitor in the international record field, and therefore that its special status should be ended and that it be required to open its own gateway offices and compete on equal terms with other international record carriers.

II. Attribution to the "accumulated overages and deficiencies" of any continuing or vested interest would require a strained and illogical construction of the 1943 formula and be completely contrary to the public interest.

Given the conceptual flaws leading to, and the arbitrary and inequitable distributions of traffic flowing from, the continuously accumulating quota imbalances in the existing formula, it is axiomatic in ITT Worldcom's view, that the formula prescribed by the Commission as a result of this proceeding will be designed to avoid any such continuing imbalances. As an example, the formula proposed hereafter by ITT Worldcom -- distribution of unrouted traffic in proportion to each carrier's routed traffic -- would provide for quotas applicable only to unrouted traffic and defined in such a manner that all unrouted traffic is precisely allocated with no possible shortfall or excess of the traffic "due" to a particular carrier.

Because of the near astronomical imbalances which today characterize the existing formula and the resulting badly skewed distributions of unrouted traffic which have evolved from the IQB's effort to reduce those imbalances, many instances exist where one or another carrier is heavily favored by the traffic distribution to various sub-areas. Some of these carriers, purely as a matter of self interest, can be expected to challenge any changes in the formula which affect their favored traffic distribution. Facing the strong likelihood that the Commission will prescribe a new formula which abandons most, if not all, of the archaic and inequitable distributive aspects of the old formula, those carriers can be expected to urge as a fallback position, that a continuing or vested interest in those statistical imbalances inures to their benefit, which must either be "liquidated" or carried forward to the new formula. This hypothesis is patently absurd. These accumulated imbalances do not represent gained or lost traffic for which a liability or a chose in action is created by the formula. Rather they are nothing more than a statistical representation of the failure of a concept underlying the 1943 formula, that of maintaining proportional market shares constant over a long period of time for a dynamic, competitive industry. As such a historical measure of the unworkable nature of that formula, these statistical abstractions should, like all other out-moded characteristics of that formula, be simply relegated to history, upon the prescription of a new formula by the Commission.

In order to establish any credibility for a thesis that the accumulated quota imbalances, which now characterize the formula, represent vested interests for the carriers to which they are attributed, it would be necessary to show that the Commission, in prescribing the formula in 1943, intended that the quotas therein established be, not merely a goal toward which the unrouted traffic would be distributed in such a manner as to approach as nearly and often as possible, but rather would operate as an absolute guarantee to each carrier of receiving its quota share of traffic at all times and under all conditions. At this point, suffice it to say that, aside from the fact that a prescription of fixed market shares is the antithesis of competitive enterprise, which the Commission has long championed, such an argument is belied by both the actual content of the formula and by the Commission's statements and actions in prescribing the formula.

It is significant that the formula establishes quotas based upon total traffic received by a carrier but only permits unrouted traffic to be shifted in pursuit of those quotas. When all specifically routed traffic was to be given the carrier so chosen, it cannot have been unexpected that on some occasions the specifically routed traffic might exceed quota. The very existence of the balancing provisions suggests the same likelihood. However, if the Commission had intended that the formula operate to fix absolutely and interminably each carrier's proportionate market share, it would not likely have chosen a method which could be foreseen to be so highly inefficient, as opposed to simply shifting all traffic as required to maintain the fixed shares; and given such an intent, the Commission could not be expected to have held any compunction toward taking away specifically routed traffic from any particular carrier. That this was not the Commission's intent is further illustrated by the long period which the formula has been in use with ever increasing quota imbalances. If the Commission had intended the maintenance of proportionate market shares at the base period level, it would never have permitted these proportions to reach such a severe imbalance.

Moreover, in its order prescribing the formula, the Commission evinced some concern that the public might lose some of the benefits which competition has historically brought, but concluded that "[while] overall competition may be lessened as a result of the organized distribution of traffic, ...we intend to maintain careful surveillance over the operations of the international telegraph carriers to assure that progress in providing efficient and economical service in the field will continue" (10 F.C.C. 195, emphasis added). If a fixed market share had been guaranteed each carrier by operation of the formula, with legal rights and obligations attaching to such shares then competition, rather than being merely lessened as concerned the Commission, would instead have been completely eliminated. In addition, given the Commission's expressed intent to closely monitor the formula, it would defy credulity to believe that the Commission could dispassionately watch for over thirty years the ever mounting quota imbalances, without giving notice to the various carriers who were in overage positions that they must be prepared to "give back" all extra traffic accrued since 1943, if such had been the Commission's intent.

It is worthy of note also, that in rate proceedings over the years it was never suggested that a carrier's "creditor" or "debtor" status, as the case may be, in relationship to formula imbalances, was a factor for consideration in determining revenue requirements. And such imbalances were never recorded in carrier accounting systems as a deferred receivable or contingent liability.

A construction of the existing formula which ascribed a legal or vested interest in the accumulated quota imbalances would, as shown hereafter, severely frustrate the public interest. A carrier which, even inadvertently, had provided a better service and attracted additional traffic would have acted at its peril, incurring a legal liability to make whole other carriers who had attracted proportionally less traffic; hence an immense disincentive would exist against any form of competitive enterprise - the carrier would be in a position of nothing to gain, all to lose. Secondly, the large imbalances which have accumulated since 1943 cannot realistically be "liquidated." An overage carrier could not simply give back traffic to a deficiency carrier; and a lump sum settlement, even assuming legitimacy, would at a minimum require an exhaustive analysis to determine net amounts for every occurrence of a quota overage. Additionally, any attempt to engraft the existing quota imbalances onto a new formula would, at best, result in an indefinite continuation of the wholly arbitrary distribution of unrouted traffic, which those imbalances have already produced in the existing formula; conceivably such an engrafting would irreversibly bias a new formula away from a just, reasonable and equitable distribution of traffic.

Finally, it is important to recognize that both the accumulated imbalances themselves and unknown biases contained in these statistics owe their existence largely to the fact that, contrary to universal expectations, the formula did not undergo revision within a few years after its inception. Two of the formula provisions are especially notable in this regard. The quota balancing offset placed in the formula to discourage Western Union from favoring its Cables Division, and which largely accounts for the existence of the "overage" and "deficiency" concept, was expected to be eliminated as soon as divestment occurred. Of course, divestment was expected to take place shortly after the merger in 1943. The other provision, the absence of quotas for RCA Globcom from its gateways to Areas A and B, which eliminates RCA Globcom traffic in the gateways from being counted, one way or the other, in determining overage and deficiency positions and thus introduces an unknown bias into those statistics, was similarly expected to be revised or eliminated within a short period of time, as experience was gained under the formula and competitive positions became somewhat more balanced. Were the Commission to now create vested interests from these statistical imbalances, it would not only dramatically multiply the already existing inequities in this formula, but would also amount to a repudiation of the expectations of the Commission and the carriers in 1943 that this formula would be changed as soon as the wartime conditions had stabilized, or as soon as industry conditions changed.

For both the conceptual reasons and practical considerations, the Commission is respectfully urged to find that the use of these statistics to establish any sort of vested interest or handicap in the future distribution of outbound unrouted traffic would be unjust, unreasonable, inequitable and contrary to the public interest.

III. The existing quota system should be replaced by a formula that allocates unrouted international telegraph message service in proportion to routed traffic received by each carrier.

In its 1964 Complaint, ITT Worldcom urged that the existing formula be replaced by one which eliminates "quotas" as such and distributes unrouted traffic equally among all carriers having authority to directly serve a given international destination. While this basis for distributing unrouted traffic has the virtue of simplicity of administration, allocation of unrouted traffic in proportion to specifically routed traffic as recently urged by TRT Telecommunications Corporation (TRT) may provide a more logical basis for distributing the unrouted traffic and appears more in keeping with the Commission's emphasis on the encouragement of competition among carriers. This approach, distributing unrouted in proportion to routed traffic, would largely reverse the competitive disincentives of the old formula. Such an allocation of unrouted traffic would give due recognition to the competitive results achieved by the carriers and would promote competition relating to the quality of services. To the extent that customers of telegraph message services 'vote' for a given carrier by using its services, that carrier would benefit from an appropriate share of the revenues for routed and unrouted traffic.

The TRT proposal, as understood by ITT Worldcom, would allocate unrouted traffic in proportion to routed traffic by carrier and by destination country - i.e., unrouted outbound traffic to a given country would be distributed to the carriers serving that country in proportion to the routed traffic which they each carried to the given country. TRT has also urged that routed traffic from the gateway cities should be excluded from the totals used to allocate unrouted traffic, in the belief that inclusion of the gateway routed traffic would unfairly bias the unrouted traffic distribution against smaller carriers, such as TRT, who lack the "favored gateway status" of the larger international carriers.

ITT Worldcom supports the TRT proposal that the unrouted traffic allocation be made in proportion to routed traffic, and urges that such distribution ~~be on a country-by~~-country basis among carriers authorized to provide direct services to such countries. Distribution by country should assure that the competitive stimulus and public benefits upon which this allocation is premised are available and applicable to all markets and users. To do otherwise, i.e., distribute total unrouted traffic to all foreign destinations in proportion to the total routed traffic to all foreign destinations would create a strong incentive for a carrier to concentrate traffic development efforts and corresponding service improvements in a few high density markets which could be expected to produce a volume of routed traffic equal to or greater than that obtained by spreading traffic developmental efforts over the whole spectrum of markets and users, and at less total expenditure of resources. This would appear to result in undue preference to the high density markets and unreasonable prejudice against the smaller markets. In addition, allocations on an overall basis would likely result in a skewed traffic distribution, not unlike that presently existing, by operation of the IQB. Rather than attempting to apportion unrouted traffic for a given country among carriers authorized to serve that country, it might well, as a matter of administrative convenience, assign all traffic for a country to one carrier, all traffic for another country to a second carrier, and so on, just being sure that, overall, each carrier received its proportionate amount of total traffic. Given that the cost to revenue ratio for a message will vary somewhat between countries and that traffic returns are more likely from some countries than others, such an arbitrary allocation methodology would carry forward much of the inequity existing in the present formula.

While no allocative system may be said to guarantee absolute equality of treatment for all users and all markets, ITT Worldcom suggests that a proportional allocation of unrouted to routed traffic at the individual market level is considerably more likely to provide such equality than is one which practically invites a carrier to concentrate its resources in a few large, dense markets or the IOB to administratively slip back to a distribution containing many of the inequities of the existing formula.

The proposal by TRT that gateway routed traffic should be excluded from the routed traffic total for purposes of allocating unrouted traffic should not be adopted. Such an exclusion would produce at least as great a bias against the IRCs who have significant operations in the gateways as is allegedly created in favor of those carriers by the inclusion of the gateway routed traffic in the total. In the interest of compromise, however, ITT Worldcom would be prepared to accept a modification of the TRT position to exclude self generated traffic (i.e., traffic filed at the IRC offices) in the gateways (including TRT gateways), but not routed traffic from Western Union. With this modification unrouted traffic to each destination country would be allocated between carriers in proportion to all routed traffic filed with Western Union for each such destination.

Turning to the administrative aspects of the proposed formula, the allocation of unrouted traffic in proportion to routed traffic probably cannot be done on a "real time" basis. Therefore, some historical period of routed traffic must serve as a basis for allocating present unrouted traffic. However, to avoid the gross distortions of the competitive realities of the market place, as has been observed through the use of the existing formula, and to assure the competitive stimulus which should characterize the new formula, it is essential that the historical "base" for unrouted traffic distribution be periodically updated to keep the unrouted traffic distribution in step with changing market conditions. To provide for this necessary updating and to also allow some time lag for the administrative computation of allocation percentages, ITT Worldcom suggests that new unrouted traffic allocations be established every six months beginning January 1 and July 1 of each year, and using as a base period the parallel six month period for the previous calendar year. Thus, for example, the unrouted traffic to a given destination for the period January - June 1975 would be allocated to the various carriers authorized to directly serve that destination in direct proportion to the percentage of routed traffic which each carrier received during the period January - June 1974. As can be seen, this methodology not only keeps the allocation of unrouted traffic closely responsive to changes in routed traffic but also provides a reasonable period (six months) between the closing of a given base period and the start of the period during which that data will be used for unrouted traffic allocation, so that data compilation, computation of allocation percentages for each carrier, reproduction, and other necessary administrative tasks can be carried out.

SUMMARY

That the Commission prescribed a formula in 1943 which effectively carved out market shares and essentially eliminated competitive stimulus to new traffic development can be attributed largely to uncertainties associated with the concurrence of World War II. Because there was no way of knowing at that time just what course the war might take or what communications exigencies might be brought to the fore, the Commission seemingly adopted the position that the status quo should not be disturbed, but that an early revision was likely because of changed conditions following the ending of the war. That this was the Commission's view is supported by its opinion approving the 1943 formula (10 FCC 184) where it said, at 196:

> "We have considered a proposal made by RCAC, in which the other carriers do not concur, that the basic formula set forth in exhibit 306A should be adjusted in the future to reflect future changes in the relative amounts of in-bound overseas traffic handled by each of the carriers...The proposal appears to be directed principally to traffic with occupied Europe and Pacific areas controlled by the enemy, since future over-all increases in such traffic are most likely, as communications with these areas is again established. In essence, then the RCAC proposal seeks to determine now the policy and principles which will be applied at some time in the future under a changed factual situation, the nature of which cannot now be determined. International communications conditions are unsettled during this global war. As the war progresses, the concentration of communications will shift from area to area. We cannot undertake to determine now the desirability of an adjustment in the distribution formula which by its nature cannot take effect until a time when the entire world communications picture may be profoundly altered. If the provisions already embodied in the formula for distribution of reestablished traffic are not adequate to deal with the problem when it arises, we

will review the matter in the light of all the facts, which are now unknown and will then be available. The end of the war may require a major revision of the formula which we have approved, and we do not desire to prejudge the issues which may then arise, by premature action at this time."

The Commission's action in 1943, in prescribing a formula which seemed to establish, as a goal, the maintenance of fixed market shares among the international record carriers and the consequent elimination of competitive effort, even though expressing concern about lessened competition, occured because:

(1) there was general agreement among the affected carriers on the major provisions of the formula;

(2) the country, and its communications facilities were involved in a period of great national stress; and

(3) the Commission and the carriers expected an early revision of the formula to reflect changed and changing conditions.

Even if the Commission had concluded, as a matter of policy in 1943, that a formula which so stifled competitive effort was required to satisfy the statutory criteria that the formula be just, reasonable, equitable and in the public interest, it had clearly become of the opposite view in 1951 when it approved the divestment by Western Union of its Cables Division, which was to become WUI. In its opinion there (30 FCC 323, 382) the Commission said:

> "WU International will have its interest in certainty and lack of argument satisfied. Its fears that its share of traffic will be adversely affected by divestment will be allayed and its starting revenue position protected. What will happen in the future will, of course, depend on the competitive efforts and effectiveness of the

carriers. That, however, will be the natural and proper results of operating in a competitive society". (emphasis added)

See also the Commission's endorsement, in 1955, of competition among the international radio-telegraph carriers in Mackay Radio and Telegraph Co. 19 FCC 1321, 1349-50 (1955) (Conclusion of Three Circuits Case). And even a casual observer of the Commission's actions in recent years would have to conclude that the Commission's current policy strongly favors competitive enterprise among various communications carriers. See for example, the Commission's opinions in American Telephone and Telegraph Co. (TAT-4), 37 FCC 1151 (1964); Use of the Carterphone Device in Message Toll Telephone Service, 13 FCC 2d 420 (1968); Specialized Common Carrier Services Inquiry, 29 FCC 2d 870 (1971); Establishment of Domestic Communications-Satellite Facilities by Non-governmental Entities, 35 FCC 2d 844 (1972); Tropical Radio Telegraph Co. (Service to Italy), 35 FCC 2d 950 (1972).

Nevertheless, a formula for distributing unrouted international telegraph message traffic, prescribed in 1943, which was clearly intended be revised within a few years remains in use today. Moreover, the quota system established by that formula is completely contrary to the Commission's regulatory policies toward the encouragement of competitive enterprise, and produces severe inequities in the distribution of traffic among the participating carriers. That formula must be excised

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as a control of international record communications market shares.

The Commission is urged to prescribe a new formula which provides reasonable incentives for competitive enterprise, is protected against stagnation due to the use of out of date bases for distributing traffic, is unencumbered by any ghosts from the past, and is otherwise just, reasonable, equitable and in the public interest. ITT Worldcom suggests that these goals will be achieved by a simple formula which distributes unrouted traffic to each overseas point to carriers authorized to provide direct services to such points, in proportion to the outbound routed traffic handled by each such carrier, based on traffic statistics used for determining allocations which are updated semi-annually.

Respectfully submitted,

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Dated: July 8, 1974

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula prescribed under Section 222 of the Communications Act.	Docket No. 19660

To: The Commission

COMMENTS OF WESTERN UNION INTERNATIONAL, INC.

Western Union International, Inc. (WUI) hereby submits its Comments and Memorandum of Law in response to the Commission's Memorandum, Opinion and Order released June 10, 1974, which requested the parties to this proceeding to comment upon the proposed revisions to the International Formula for distribution of outbound international cablegrams filed with the domestic telegraph carrier.

The present proceeding is an important and far reaching investigation. It will affect the distribution and handling of approximately four million messages per year, and potentially could affect the viability and economic well being of all of the international record carriers for years to come. It is of vital importance therefore that all proposed revisions to the International Formula be examined with the greatest of care. Changes made in the Formula could have more extensive and long-

Commission's recent actions in the international field.

The principal factor to be considered in connection with the proposed revisions is that the Formula has operated successfully for many years. Having withstood the test of time, it should not be changed without a strong showing that the public interest is being significantly harmed by its current operation. In order to make its statutorily required finding that the Formula has now become "unjust, unreasonable or inequitable, or not in the public interest (§222(e)(3)", the Commission must have positive proof of significant, lasting damage to the public interest.

No carrier proposing revisions has come forward with the necessary proof that the public is being hurt. All carriers operating under the Formula are successfully and efficiently transmitting the traffic; the Western Union Telegraph Company (WUTelCo)procedures for distributing unrouted messages are operating satisfactorily and without undue delay in most instances; and the staff of the International Quota Bureau are impartial, experienced, and skilled in the administration of the Formula. In the face of all the indications that it is operating smoothly, the Commission should be hesitant indeed before tinkering with it.

The only substantive allegation that the Formula is defective relates to the fact that "overages" sums of many millions of dollars. However, this is an illusory problem. These paper amounts derive from the fact that the Formula requires that each carrier should receive a certain percentage (based on 1942 traffic distributions) of the total traffic to each sub-area, including routed and unrouted transfer traffic, and carrier pickups. Since all routings by subscribers must be honored, in order to preserve the right of choice, unrouted traffic subject to distribution pursuant to formula is sometimes insufficient in some sub-areas to enable each carrier to obtain its prescribed quota, resulting in "deficiencies" for those sub-areas.

The dollar amounts of the "deficiencies" have no real significance, except that, taken sub-area by sub-area, they provide an indication to the International Quota Bureau of which carrier should be receiving unrouted traffic in order to make up its quota. The "overages" are simply the arithmetical converse of the "deficiencies". Neither represents money owed by one carrier to another but merely reflect the operation of two of the features of the Formula, the "quota", and the requirement of respecting the customer's routing. Consquently, the grand totals of net "overages" or "deficiencies" are meaningless. Certainly they do not justify interfering with an operation that has proved satisfactory over the years.

The Commission must consider the deleterious effects that the proposed changes may have on the industry.

Each carrier receiving traffic pursuant to the Formula has invested many millions of dollars in equipment designed to process and transmit international cables. Expensive, sophisticated computers and other electronic equipment designed to handle this traffic has been installed. The long-range decisions to purchase this equipment were based upon the expectation of certain minimum amounts of traffic, which in turn depend upon the assumption that no drastic changes would be made in the distribution of traffic pursuant to the Formula. These plant and transmission facilities are designed to handle the volume of traffic resulting from the present Formula distribution. No abrupt change in this distribution could be made over the short term without resulting in the carriers burdened by such a change having excess capacity standing idle. Each carrier involved is entitled to amortize its investment in this equipment over its expected lifespan, and thus must receive the traffic that formed the basis of the decision to make such investments.

As WUI has pointed out in its earlier comments, and as the Commission has recognized in its Order released June 10, 1974, the statistical information necessary to determine the effects of any proposed change is lacking, and will not be available until WUTelCo completes its study. Accordingly, no analysis of these proposals is appropriate at this time

The Commission's Memorandum Opinion and Order herein, released November 26, 1973, instituting this investigation into the International Formula, does not specify the procedure which the Commission intends to follow, beyond the present round of statements of fact and memoranda of law, and responses thereto. Since the WUTelCo study of international transfer traffic will not be completed until after responses to the present round of pleadings have been filed, it will be necessary for the Commission to order further procedural steps in order to resolve the questions raised in this docket. Before the Commission can issue any order prescribing any change in the International Formula, it is required by statute to hold a full hearing into all aspects of the question.

Section 222(e)(3) reads as follows:

> "Whenever, upon a complaint or upon its own initiative, and after a full hearing, the Commission finds that any such distribution of telegraph traffic among telegraph carriers, or any such division of charges for such traffic, which is being made, or which is proposed to be made, is or will be unjust, unreasonable, or inequitable, or not in the public interest, the

> Commission shall by order prescribe the distribution of such telegraph traffic, or the division of charges therefor, which will be just, reasonable, equitable, and in the public interest, and will be, so far as is consistent with the public interest, in accordance with the existing contractual rights of the carriers". (Emphasis supplied).

The "full hearing" requirements of Section 222(e)(3) cannot be satisfied by any procedure other than a full oral hearing at which all disputed issues are thoroughly aired. The requirement of a full hearing specified in this statute brings into play the provisions of Section 7 of the Administrative Procedure Act (5 USC Section 556), including, among other matters, the requirement that

> "a party is entitled to present his case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for a full and true disclosure of the facts.

Case law as well as statutory law indicates that a full oral hearing is required. In the Morgan I case, Morgan v. U.S., 298 U.S. 468 (1938) the Supreme Court held an order of the Secretary of Agriculture to be void because he failed to allow the "full hearing" required by the Packers and Stockyard Act. In a subsequent case, Morgan vs. U.S., 304 U.S. 1 (1938), the Supreme Court described the requirement of a hearing as "essential alike to the legal validity of the administrative regulation and to the maintenance of public confidence in the value and soundness of this important governmental process". 304 U.S. at 14.

In interpreting Section 309 of the Communications Act, which also calls for a "full hearing", the Supreme Court stated that it

> "agrees that a 'full hearing' under Section 309 means that every party shall have the right to present his case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for a full and true disclosure of the facts.... Such a hearing is essential for the wise and just application of the authority of administrative boards and agencies." U.S. v. Storer Broadcasting Co., 351 U.S. 192, 202 (1956)

Similarly, the Court of Appeals for the District of Columbia, interpreting Section 7(c) of the Adminsitrative Procedure Act, stated:

> "no sanction shall be imposed or rule or order be issued except upon consideration of the whole record.... Every party shall have the right to present his case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for a full and true disclosure of the facts." Wirtz v. Baldor Electric Co., 337 F.2d 518 (D.C. Cir. 1964)

In another phase of this very docket, the Commission ordered oral hearings, with their full panoply of procedural rights, in accordance with the "full hearing" requirement of § 222(e)(3), thus rejecting a vigorously urged argument that the Commission should grant an "interim" increase in divisions of tolls pursuant to this section without a hearing. International Record Carriers' Scope of Operations, 43 FCC 2d 661 (1973).

Furthermore, in the same proceeding, the Commission's Review Board has pointed out the value to the Commission of the "full hearing" requirement of § 222(e)(3), stating that:

> "[T]he requirement of a full evidentiary inquiry serves to facilitate a comprehensive, accurate and efficient disposition of the object of the proceeding. [Citation omitted]. Under Section 222(e)(3) of the Communications Act, Congress has simply provided for the same procedural safeguards in rule making as in adjudicatory proceedings." 29 RR 2d 507, 510 (1974).

In the final paragraph of the Commission's MO&O released November 26, 1973, the Commission stated that it "will make such further orders herein as are necessary or desirable". 43 FCC 2d 1174, 1182 (1973). WUI assumes that in view of the statutory prescriptions of the Communications Act and the Administrative Procedure Act, and precedents of the U.S. Supreme Court and other courts, and of the Commission itself, the Commission will deem it to be both "necessary" and "desirable" to require that a full oral hearing be conducted prior to any determination of the appropriate revisions, if any, to the International Formula.

When the data is available, WUI expects to put forward proposals for the Commission's consideration, and proper examination at a full hearing. In ~~the~~ meantime, WUI urges the Commission not to take any action without the full information that will be generated by the WUTelCo study and the "full hearing" required by law.

Respectfully submitted,
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Dated: July 8, 1974

CERTIFICATE OF SERVICE

I, Sandra Goodwin, do hereby certify that a copy of the foregoing documents has been sent by United States mail, postage prepaid, to the following:

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/s/ Sandra Goodwin

Dated: July 8, 1974

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COUNSEL
WASHINGTON

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula prescribed under Section 222 of the Communications Act	)	Docket No. 19660 RM-690

COMMENTS OF TRT TELECOMMUNICATIONS CORPORATION

By Memorandum Opinion and Order, released November 26, 1973, in Docket 19660, the Commission ordered an investigation to determine whether the distribution of telegraph message traffic under the Formula prescribed pursuant to Section 222(e) (1) of the Communications Act for the distribution of outbound international message traffic handled by The Western Union Telegraph Company (WU) is unjust, unreasonable, or inequitable. The Commission further ordered that the investigation should include the following issues:

(1) The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas.

(2) The nature, extent and reason for the existing overages and deficiencies in assigned quotas. Each carrier is to present full data with respect to its overages or deficiencies, by area and sub-area, as of each year-end for the ten years ending December 31, 1972, and an estimate for the year ending December 31, 1973; as well as totals, by area and sub-area, since distribution began under the Formula.

(3) The present defects in the Formula, pointing out with specificity the effect of each claimed defect not only on the respondent, but also on other international record carriers and on the quality of service provided to and the rates charged the using public.

(4) The specific amendments which should be made to the Formula to remove each such defect, the effect each such amendment will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public.

With regard to the first issue, the Commission, by Memorandum Opinion and Order, released June 10, 1974, in Docket 19660 ordered that WU conduct a quantitative study of outbound international message traffic to determine the exact manner in which the distribution of such traffic is being made. Concerning the data required to meet the objectives discussed in the second issue, this data has been submitted to all parties and the Commission, except that actual data rather that estimates have been provided for the year ending December 31, 1973.

Below TRT discusses the manner in which the distribution of international message traffic is made as prescribed by the Formula; the nature, extent and reason for the existing overages and deficiencies in assigned quotas; and the present defects of the Formula and their effects on the international record carriers and the using public. TRT concludes:

(1) that the International Formula for the distribution of outbound international message traffic handled by the Western

Union Telegraph Company is grossly inequitable and illogical; and,

(2) that the International Formula should be revised to establish a methodology for the distribution of unrouted message traffic which will be equitable and logical, will properly reflect today's industry structure, and will readily adjust to tomorrow's industry changes.

TRT also sets forth a fair and logical method for the distribution among all eligible carriers of U.S. outbound unrouted message traffic. TRT believes this to be immediately adaptable to industry changes and enhanced technology, and one which functions automatically.

A. Background

The International Formula states that

"The traffic for which distribution is provided herein is alltelegraph traffic, ...specifically routed and unrouted, handled by the [Western Union Telegraph Company (WU)] originating in the continental United States and destined to points outside the continental United States, Canada, and Mexico;..."[1]

For the distribution of traffic handled by WU, the Formula provides that "(i) specifically routed messages shall be transferred to the international carrier indicated by such routing; and

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[1] "Formula, Pursuant to Section 222(e) (1) of the Communications Act of 1934, for the Distribution of Outbound International Traffic Handled by The Western Union Telegraph Company Following Merger with Postal Telegraph Co., Inc.," prescribed by the Commission. 10 FCC 184 (1943), amended 25 FCC 532 (1958), 30 FCC 323 (1961) and 30 FCC 951 (1961); page 1.

(ii) unrouted messages in each category shall be distributed....so that each international carrier entitled to a quota in such category will receive a volume of such unrouted messages which, together with [specfically routed messages and messages picked up directly by each international carrier], will give it a percentage, equal to its quota in such category, of the gross international tolls on all messages in such category."[2]

The term "Quota", as employed, is defined generally as the ratio of the number of outbound messages, whether picked up directly by each international carrier or transferred to it by [WU], handled by each international carrier during the base year 1942 (or as adjusted) to the total number of outbound messages in the base year. Separate quotas by carrier were established for each defined destination sub-area by origin of the gateways of New York, Washington and San Francisco, and the hinterland; and within each origin location by category of message. Consequently, an international carrier may have a distinct quota for each category of message for each origin-to-destination movement.

1. "Overages" and "Deficiencies", and the Maintenance of Base-Year Quotas

The International Formula also provides that "The supervision of the operations of this formula shall be under a committee of representatives of each of the interested international carriers..., the staff of which committee may function at the distribution offices of [WU],...."[3] The International Formula Committee (as the committee of carrier representatives is called) created a staff, the International Quota Bureau (IQB), to administer the operation of the Formula.

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[2] [illegible]

To enable the IQB to function, the Formula requires that "Each international carrier entitled to share in such distribution shall furnish to the joint distribution offices any information necessary to enable such distribution of unrouted messages to be effected in accordance with this formula."[4]

The "information necessary to enable such distribution" was from the outset provided by the international carriers to the IQB. The data included the number of messages, words and the gross international tolls (GIT's) for both routed and unrouted messages combined; and totals were accumulated for each destination sub-area according to the defined gateways or hinterland origin and the category of message. The IQB then calculated the percentages of participation for each carrier for the month reported, and compared these against each carrier's quotas. Where a carrier received more than its quota, the IQB recorded an "overage" in GIT's equal to the difference between the GIT's reported and the calculated GIT's allowable based on the quota. This also meant that a total "deficiency" of an equal yet negative amount was recorded for another carrier or other carriers.

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[3] Ibid, Pages 12-13.

[4] Ibid, Page 8.

Whenever "overages" and "deficiencies" occur, the Formula provides "If the [unrouted] messages so distributed fail in any month to give to any international carrier its quota of gross international tolls from such category, the distribution of [unrouted] messages shall be modified as soon as is practicable after the ascertainment of such deficiency in such manner as to compensate for such deficiency and to assure to such carrier thereafter its quota of gross international tolls from such category of traffic."[5] To comply with the Formula, the IQB, when "overages" and "deficiencies" first began to occur, issued instructions to [WU] to adjust the proportionment of unrouted messages for specific message categories for the coming month(s) to eliminate both the GIT's "overage" of the advantaged carrier(s) and the GIT's "deficiency" of the disadvantaged carrier(s).

However, it soon became apparent that it would be largely impossible to maintain the quotas established for each carrier. Although the Formula specified "The traffic for which distribution is provided herein is all telegraph traffic... handled by [WU] originating in the United States..."[6] (emphasis added), the mechanics for administering this distribution included the measurement not only of traffic handled by [WU], but also of traffic picked up directly by the international carriers. Furthermore, the Formula stated that "The right to receive a quota under this formula shall not purport in any manner whatsoever to limit or to restrict a carrier's scope of future operations; and although a carrier may not qualify for a quota, it shall always be entitled to receive its specifically routed traffic to all destination areas...".[7] With the GIT's for traffic picked up directly by the international carriers added, and as a result of the industriousness of some carriers in acquiring "picked up" traffic, the accumulated "overages" and "deficiencies" became so large that even when all unrouted traffic was adjusted from the carrier(s) with "overages" to the carrier(s) with "deficiencies"; there was insufficient unrouted traffic to overcome the imbalances. Also, as the Formula safeguards the right to retain all specifically routed traffic, the IQB could not instruct [WU] to reroute any specifically routed traffic to eliminate quota discrepancies. For those destination sub-areas where, for whatever reason, a carrier had no quota, it was immediately impossible to maintain the established quotas from the point where that carrier began handling specifically routed traffic to those destination sub-areas. All GIT's collected by the carrier without quotas were recorded by the IQB as "overages", and there was some mix of "deficiencies" recorded for the carriers with quotas, the sum of these "deficiencies" equalling the amount of the "overage". Following the Formula's guidelines, the IQB was required to attempt to eliminate the discrepancies. However, as the carrier with the "overage" had no quota and, therefore, no unrouted traffic, and since no specifically routed traffic could be taken from that carrier, the IQB was left with adjusting the unrouted traffic among the carriers with quotas in a futile attempt to erase the quota discrepancies.

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[5] Ibid, Page 8.

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[7] Ibid, Page 3.

What has resulted from the operation of the Formula can be seen in the statistics for 1962-1973 presented by the IQB to the parties in this investigation, and to the Commission. "Overages" and "deficiencies" amounting to millions of dollars have accumulated, with no possible method of eliminating them. Nevertheless, the important issues are what these "overages" and "deficiencies" mean in relation to today's industry structure, what the impact of the Formula's defects has been on the participating carriers as well as the using public, and what changes should be made.

2. "Overage" and "Deficiency" - Their True Meanings

It is essential to realize that the accumulated GIT overages and deficiencies of the international carriers indicate only the relative standings of the international carriers today with respect to what were their relative standings in the base year; and that they do not, therefore, indicate that a carrier with an overage is in an advantaged position, while a carrier with a deficiency is in a disadvantaged position. This relationship is determined only by comparing the actual distribution of unrouted and routed traffic which results from the Formula's operation with the current operating arrangements between the international carriers and WU; and only from this perspective will the true inequities which exist, and have existed for many years, become apparent.

While there were reasons for the special protections and unique traffic distribution methods of the Formula at its inception in 1943, principally concerning the variations in operating arrangements between each international carrier and WU, those reasons are certainly not valid in today's environment where the operating arrangements between each international carrier and WU are essentially identical. Hence, today's distribution of unrouted traffic to a specific carrier must, by the very nature of an unrouted message, be considered an award -- an advantage. Furthermore, as the Formula withholds unrouted traffic from the carrier with "overages" and awards this traffic to the carrier with "deficiencies", "overages" and "deficiencies" should today generally imply disadvantage and advantage, respectively.

Proof of this inverse relationship is found in the latest Chart of Merged Company Distribution Percentages issued by the IQB, dated April 30, 1974, and presented in Appendix A. The Chart illustrates in capsule form the instructions issued by the IQB to WU, which are in effect today, as to the proportionment among the eligible international carriers of all unrouted traffic. By comparing this Chart to the statistics on cumulative overages and deficiencies provided by the IQB,[8] the correlation between deficiencies and the award of substantial amounts or the whole of unrouted traffic to an international carrier for each destination sub-area is straightforward.

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[8] Statistics for each carrier reporting under the International Formul the gross international tolls dollars overages or deficiencies for each of the ten years 1963-1972; presented by the IQB, dated January 7 and January 14, 1974.

It is especially interesting to note the extreme right hand column of the Chart which contains the date of the last issuance of a change in the instructions by WU as to how unrouted traffic should be proportioned to each destination sub-area. Several instructions are more than 20 years old, and the later dates apply generally only to hinterland origin allocations. For the gateway origins, there have effectively been no changes for many years in the instructions allocating all unrouted traffic to one carrier for each destination.

B. Specific Formula Defects, and the Resultant Inequities

1. Formula's Operation Acts as a Disincentive to Better Service

TRT considers the most serious overall defect of the Formula to be the negative effect of its operation. From the Formula's beginning, where an IRC has handled more specifically route traffic (both transferred by WU and picked up directly in its own gateways) than its calculated quotas, a right protected even by the Formula, that carrier has been penalized by having some or, more usually, all unrouted traffic withheld and given to another IRC. The disadvantaged carrier has, consequently, been frustrated, and has recognized the futility of the expense and effort to obtain more routed traffic; for to the extent that it issuccessful in developing a greater percentage of routed traffic, an equal amount of unrouted traffic is withheld and awarded to another carrier.

On the other hand, the advantaged carrier, which by no effort of its own. has received huge volumes of unrouted traffic, loses its incentive to improve service. Certainly there is no incentive to obtain routed traffic beyond a calculable amount, except in the few instances where a carrier's quotas are extremely high, since to do so would mean to exceed one's quotas and risk the loss of unrouted traffic of an amount equal to the amount of the gain in routed traffic.

The consequence of this is to dampen the initiative to compete through improvements in the service offered to and the rates charged the using public.

2. Formula Arbitrarily Denies Quotas

If for any reason a carrier had no traffic to a destination during the base year 1942 (or as adjusted), except where operations had been temporarily halted, that carrier has not been allowed a quota to that destination. TRT is particularly disadvantaged because of this provision, since TRT serves many more destination sub-areas, even in Area B, than it has quotas for. Not only does this preclude TRT's participating in any unrouted traffic to most of the destination sub-areas it serves, the denial of quotas adds further injury to TRT through a loss of potential return traffic from its foreign correspondents.

3. Inequities Are Doubled

The operating arrangements between the IRC's and their foreign correspondents generally provide for a proportionate amount of return traffic. Proportionate return traffic is given for both routed and unrouted traffic. Hence, where a carrier has been handling all of the unrouted to a destination sub-area, or has enjoyed a quota advantage, that carrier has been twice rewarded. The consequence of this arrangement has been an arbitrary, unjustifiable advantage enjoyed by one carrier over another. The advantage is particularly inequitable where, as is TRT's case to most destination sub-areas, some carriers are not even allowed a quota.

4. The Formula's Method is Inconsistent with Its Objective

The Formula specifies that the traffic for which distribution is to be made is all routed and unrouted traffic handled by WU, originating in the continental U.S., and destined to points outside the continental U.S., Canada and Mexico. Yet the method of distribution includes the GIT measurements not only of traffic handled by WU, but of traffic picked up by the IRC's as well. As TRT has illustrated above, this has caused tremendous amounts of unrouted traffic to be awarded on an inequitable basis to RCA and WUI.

Furthermore, as TRT points out below, this method has allowed non-uniform methods of grouping and reporting data to the IQB. Some IRC's have been able to use this to their advantage, and have as a consequence received more unrouted traffic than they would have normally been entitled to receive even under the Formula. Since there have been neither controls over nor effective checks into the data reported by the carriers to the IQB, as evidenced by the inconsistencies between IQB annual totals by carrier and the carrier totals found in FCC data published annually, and even in IQB data, there appears to have been a juggling of reportable data according to what result will prove the most advantageous to some IRC's.

5. Advantages Enjoyed by RCA

Referring again to the Chart of Merged Company Distribution Percentages presented in Appendix A, it is immediately apparent that RCA is a prime benefactor of the inequities of the Formula. RCA in effect enjoys all of the unrouted traffic to Area C, the Pacific, and has done so for many years. As long as the Formula continues in its present form, so will this inequity.

In accordance with Schedule B of the Formula, RCA receives 60.5 percent of WUI's quotas to the destination sub-areas of Continental Europe and Beyond the Continent (including Greenland and Iceland, but excluding Liberia), except for press, government and fixed text traffic. As also indicated by the Chart there is insufficient unrouted traffic to accord RCA its share; hence, RCA has since August 31, 1966, been receiving all of this traffic. In view of today's industry structure that special provision of the Formula must be considered an unfair advantage to RCA.

To Areas A and B, except for the provisions of Schedule B, RCA has no gateway quotas; only hinterland quotas. However, this has been used by RCA to its advantage. Normally, tolls reported under gateways refer mostly to traffic picked up directly by an IRC, while tolls reported as hinterland refer to traffic transferred by WU. The ambiguity lies in whether to consider transferred traffic which originates in a gateway as gateway or hinterland. Except for traffic handled by WU public offices in the gateway cities proper, WU treats this traffic as hinterland, as do ITT, TRT and WUI. RCA, on the other hand, recognizes that if they treat this gateway-originated transferred traffic as hinterland traffic, it would significantly reduce or possibly eliminate the unrouted traffic RCA receives against its hinterland quotas for Areas A and B. Since RCA's gateway GIT's have no effect on its quotas to Areas A and B, RCA has lumped all of this type of transferred traffic into its gateway GIT's.[9/] Consequently, RCA appears to enjoy more unrouted traffic to Areas A and B than it would otherwise be entitled to receive.

6. Advantages Enjoyed by WUI

The Formula also provides that "all of the offices of [WU] located in the area 60th Street and south thereof in the Borough of Manhatten, New York; the office of [WU] located at [Kennedy] International Airport; the main office of [WU] located in the central business section of San Francisco, and one other office of [WU] located in the central business section of San Francisco in the general vicinity of the offices operated by [ITT] and RCAC, to be designated by [WUI] ; and the main office of [WU] in Washington, D.C., shall be considered as offices of

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[9/] It is significant to note that when an IRC receives a message transferred by WU, reflecting an origin of New York, Washington or San Francisco, the IRC has no method for determining whether that message was originated at a WU PMS office inside the gateway proper, or elsewhere in the city. For a message called into a CTB from an originator located inside one of the gateway cities proper, again there is no method for determining this. Therefore, one must speculate as to how an IRC would consider such a message as having originated in the gateway proper.

[WUI] within the perview of this section."[10]

While the Commission may have desired to shelter WUI from the competition of the established gateway city offices of ITT and RCA at WUI's inception, surely WUI's special status is no longer justified. Indeed, WUI, unlike the other three IRC's, has received the gift of established gateway city offices at no expense to WUI, since WU operates and maintains these offices. Moreover, from these WU gateway offices, WUI has received all of the unrouted traffic, regardless of destination. This means that WUI handles unrouted traffic even for destinations for which WUI has no quotas!

As can be seen from the Chart in Appendix A, WUI enjoys almost exclusive handling of all unrouted traffic to Area A, which includes the heaviest traffic volume countries of the world. In fact, according to IQB data for the year ending December 31, 1972, [11] WUI handled at least half of all transferred traffic to Area A. The majority of this traffic appears to have been unrouted traffic. On the other hand, WUI handled only one-sixth of the total traffic picked up by the IRC's destined to Area A. When a carrier's unrouted traffic is substantially more than its routed traffic (both picked up and transferred) to any destination or area, the inequities caused by the Formula are clear.

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[10] "Formula", Page 4.

[11] Statistics for each carrier reporting under the International Formula; the total number of messages reported by the carriers for each of the ten years 1963-1972; presented by the IQB, dated February 1, 1974; Page 2B.

C. Formula Revisions Are Clearly Justified

TRT has set forth some of the gross inequities which exist and are being perpetuated by the Formula, and has demonstrated the long-overdue need to effect changes which will offer fair treatment of all carriers based on contemporary industry relationships, not those of the distant past.

In seeking an equitable, logical method for proportioning unrouted traffic among all IRC's, the two fundamental criteria should be simplicity and flexibility. The simplest method, and a fair method, would be to proportion unrouted traffic equally between all IRC's serving each destination without regard to message category or length. The next least complicated, and another equitable method is that recommended in TRT's June 26, 1973, letter to the Commission. The points of that letter are herein reiterated with supportive comments.

- All Existing Overages and Deficiencies Should Be Eliminated

As TRT has already demonstrated the overage and deficiency measurements maintained by the IQB indicate only the standings of the IRC's today relative to what their positions were in the base year. Consequently, whether a carrier has been in an advantaged or disadvantaged position can only be determined by viewing the actual distribution of unrouted traffic when compared to today's industry structure. From this perspective, TRT has shown that accumulated deficiencies have caused most, and usually all unrouted traffic to identified destination sub-areas to be awarded to the carriers with these deficiencies, and that "deficiency therefore, actually is synonymous with "advantage." Under these circumstances, RCA's assertion that any changes in the Formula should recognize and account for RCA's "deficiencies"[12] is absurd. To allow such a measure to be enacted would only further exacerbate the already-gross inequities of the current Formula.

- Any Carrier Handling Routed Traffic to an Overseas Destination Should be Eligible to Handle Unrouted Traffic

Some IRC's are excluded from the handling of unrouted traffic to specified destinations because they have no base-year quotas for those destinations. This is most inequitable in TRT's case, where TRT is ineligible to receive unrouted traffic to most of the destinations it serves. Moreover, the negative effect on the Formula's operation preempts the handling of unrouted traffic by some carriers even when they are eligible to receive unrouted traffic. These exemptions have created and maintained the inequities which exist and which are compounded by the reward of undeserved return traffic.

- Each Carrier Should be Allocated a Percentage of Unrouted Traffic to Each Destination it Serves (Directly or Indirectly) in Proportion to That Carrier's Share of the Total Routed Traffic to Each Destination; and "Total Routed Traffic" Should be Defined as Only that Traffic Originating in the U.S. Outside the Gateways.

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[12] RCA letter to the Chief of the Common Carrier Bureau dated June 26, 1973, relating to ITT's petition seeking amendment to the Internationa Formula.

This is an equitable method of allocating unrouted traffic, one which rewards rather than penalizes a carrier for carrying specifically routed traffic, and one which provides an incentive rather than a disincentive to improve the services provided to and the rates charged the using public. Competition would be encouraged, and successes in innovation and providing more attractive service to the using public would be rewarded by increase in both routed and unrouted traffic. It is also a method in line with the original intent of the Formula, which was to provide a method for the distribution of all traffic handled by WU. Traffic picked up directly by the IRC's in their gateways is not traffic handled by WU; hence, this traffic should not apply to any method for distributing unrouted traffic. Furthermore, by excluding from consideration the traffic picked up in the gateways, the gateway advantages of some IRC's over others, which are now being contested before the Commission Under Docket 19660, would be negated. Since this method would operate independently of gateways, it would adapt immediately to the outcome of the gateway issue.

- The Percentages for Each Carrier and Each Country or Overseas Destination Should be Determined Annually for the Latest Complete Year.

- The Carriers Should Report to the FCC the number and Tolls of all Routed and Unrouted Messages to Each Country or Overseas Destination.

- The Computation of the Percentages and the Verification of the Reporting Should be the Responsibility of the FCC.

- The IQB Should be Dissolved.

These recommendations could be easily implemented, and would provide a method for satisfying WU's requirements. Once each carrier's percentage of the routed traffic outside the gateways is known for each destination, a table could be constructed which would indicate the proportion to be accorded to each eligible carrier. Such a look-up table could be incorporated into any automatic switching facility now employed or proposed by WU. Then, as WU processes unrouted traffic, WU would simply proportion this traffic as received, without regard to length, category or toll.[13] As both routed and unrouted traffic are processed, WU could amass totals for messages, words and tolls by carrier by destination, and could provide the carriers and the FCC with a periodic activity report. With the carriers' inputs for routed traffic from other than gateways, performance could be verified and updates to the allocation table made annually as recommended, or as appropriate.[14]

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[13] TRT believes that if unrouted traffic were proportioned as received by WU, i.e., randomly, over the long run, tolls would be proportioned between the IRC's in relative amounts equal to the percentages of unrouted messages each IRC would receive. Therefore, no provisions need be made for message category, length or toll.

[14] As an alternative to the manual process for performance verification and updates, a program routine in WU's automatic switch could calculate the percentages of routed traffic handled by each IRC for each destination, and could automatically make periodic adjustments to the allocation table. This feedback process could then be monitored for accuracy by the FCC and/or the IRC's.

As already indicated by TRT, this method is flexible and adaptable to industry changes, and it allows WU to eliminate the special and manual processes and unusual expenses now required to enact Formula directives.

Respectfully submitted,

TRT Telecommunications Corporation

J. Robert Moman

J. Robert Moman

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Dated: July 8, 1974

Appendix A

291. CHART OF MERGED COMPANY DISTRIBUTION PERCENTAGES AS OF APRIL 30, 1974

DISTRIBUTION OF OUTBOUND UNROUTED TRAFFIC PROVIDED FOR IN INTERNATIONAL INSTRUCTIONS ISSUED BY THE MERGED COMPANY

		NY-SF-WDC ORIGINS									HINTERLAND ORIGINS									I.I.	D
	SUB-AREA	ACR	CNT	CPR	GW	RCQ	SCB	TPT	USL	WUI	ACR	CNT	CPR	GW	RCQ	SCB	TPT	USL	WUI	NO.	19
A										ALL a/									ALL	1368	--
	United Kingdom & Eire						ALL b/			b/					1 c/	9 c/				1376	9-3
	Continental Europe						ALL b/			b/					1	7 b/			b/	623	11-2
	Beyond the Continent								ALL									ALL		502	2-3
	Liberia											d/	d/							695	5-1
	Canadian Transit Tfc.		d/	d/						ALL									ALL	1682	2-2
	Austria									ALL					6				2	1753	4-
	Belgium	ALL									4				1				5	1754	4-
	France									ALL					2				3	1755	4-
	Germany									ALL					6				2	1756	4-
	Holland									ALL	2								5	1757	4-
	Italy									ALL					9				1	1732	4-2
	Norway									ALL	2				1				3	1772	4-
	Czechoslovakia									ALL	6								2	1733	4-
	Denmark									ALL					2				6	1739	4-
	Greece										9				1					1761	4-
	Hungary	ALL													7				3	1760	4-
	Poland & Danzig	ALL									2				8					1762	4-
	Roumania	ALL								ALL	2				6					1763	4-
	Yugoslavia									ALL									ALL	1682	2-2
	Gr.3 (AL,SU,ES-LA-LI,LX)																				
								ALL										ALL		1391	11-2
	Bahamas												1						9	1764	4-
	Bermuda & Br. W. Indies			ALL							2								6	1765	4-
	Cuba	ALL													ALL					1766	4-
	Dom. Republic & Haiti	ALL											1						12	1767	4-
	Jamaica			ALL							2								8	1768	4-
	Puerto Rico	ALL									2								6	1769	4-
	Other West Indies	ALL						ALL										ALL		492	2-3
	British Honduras										ALL									444	2-3
	Central America	ALL						ALL										ALL		564	12-
	Colombia										5				5					1770	4-
	Ecuador & Venezuela	ALL								ALL									ALL	751	6-3
	South America																				
															ALL					1688	2-3
C	Hawaii					ALL									ALL					670	11-
	Guam					ALL									ALL					1637	2-
	Midway & Wake Islands					ALL						1	2	1						1166	9-
	Samoa: British e/		1	2	1									ALL						1213	7-
	Samoa: Other				ALL							5	5							1620	9-
	So.Pac.Isls.: British f/		5	5											ALL					705	6-
	So.Pac.Isls.: Other					ALL						1	5		10					1740	5-
	Australia & N.Zealand g/		1	5		10									ALL					616	11-
	Hong Kong					ALL									ALL					413	5-
	China					ALL				ALL									ALL	1336	12-
	Burma														ALL					618	11-
	Dutch East Indies					ALL									ALL					517	4-
	Formosa					ALL									ALL					614	11-
	French Indo-China					ALL									ALL					701	3-
	Japan					ALL									ALL					1741	5-
	Korea					ALL									ALL					534	1-
	Malay States					ALL									ALL					592	5-
	Okinawa					ALL								2	6					1771	4-
	Philippine Islands				2	5									ALL					959	3-
	Siam					ALL															

a/ "ALL" means all unrouted.

b/ Except that all unrouted government, press and fixed texts go to WUI.

c/ All unrouted government, press and fixed texts go to RCQ.

d/ Of traffic destined to Area A routed for transit through Canada, originating anywhere in the United States, transfer to CNT "BRITGOVT" international traffic specifically routed (VIA IMPCNT); transfer to CPR "BRITGOVT" international traffic routed (VIA IMP) or (VIA IMPCPR).

e/ New York is the gateway for ACR, CNT, CPR and WUI, and will transfer routed traffic to them. Unrouted traffic reaching New York will be distributed on the basis of 1 to CNT and 2 to CPR. San Francisco is the gateway for RCAC and GW, and specifically routed traffic will be transferred to them. All unrouted traffic reaching San Francisco will be transferred to GW.

f/ New York is the gateway for ACR, CNT and CPR, and will transfer to them all routed traffic. Unrouted traffic reaching New York will be distributed on the basis of none to ACR, 5 to CNT and 5 to CPR.

g/ Minneapolis is distributing office for unrouted messages and will transfer such traffic to CNT, CPR and RCAC as indicated.

Issued by International Quota Bureau - May 10, 1974

Includes International Instruction through No. 1772

CERTIFICATE OF SERVICE

I, Pamela M. DuBost, hereby certify that on this 8th day of July, 1974, I mailed a copy of the foregoing "Comments of TRT Telecommunications Corporation" by United States mail, postage prepaid to the following persons:

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Pamela M. DuBost
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of

International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.

Docket No. 19660
RM-690

COMMENTS OF THE WESTERN UNION TELEGRAPH COMPANY

Pursuant to the Commission's Memorandum Opinion and Order, 43 FCC 2d 1174, and Memorandum Opinion and Order, FCC 74-565, released June 10, 1974, with respect to the Complaint of ITT World Communications Inc. for revision of the Formula for the distribution of outbound international traffic, Western Union herein submits its comments.

1. Heretofore, as part of this proceeding, Western Union has submitted a Statement, dated February 19, 1965, and a Supplement to that Statement, dated June 26, 1973, setting forth its views with regard to ITT's Complaint. We have reviewed those two filings and conclude that they remain generally applicable. Accordingly, Western Union reiterates its previous position, updated in light of current conditions.

2. ITT Worldcom's Complaint is divisible into two parts. First, it requests revision of the present Formula

quotas under which traffic is distributed among the international rec. carriers. Second, it requests revision of the Formula to permit the establishment of additional gateway cities by the international carriers.

3. With respect to ITT Worldcom's second request, dealing with the gateway cities, we assume that any revision to the Formula, adopted by the Commission, will be consistent with any modification in the industry structure which might result from Docket No. 19660. We, therefore, do not believe that any comment on ITT Worldcom's gateway proposal is required at this time. We, of course, reserve our right to be heard on the specific applications and proposals to expand the international carriers' operations beyond the present gateway cities which are now pending or may be advanced in Docket No. 19660.

4. In our prior comments we indicated that difficulties in implementing the present Formula and uncertainties in its interpretation have impeded the establishment of improved procedures and methods in Western Union's operations. In this regard, Western Union continues to be confronted with complaints from one carrier or another, to the effect that it is not complying with the prescribed instructions for the handling of unrouted cablegrams or that it is favoring one carrier to the detriment of the others. Such complaints cover the entire scope of our public message system, the centralized telephone bureaus, Greensboro, gateway city offices and the hinterland public

offices. Western Union continues to be placed in the unfortunate position of the initial arbitrator of disputes between the international record carriers. In this regard, although it has no interest in the proportion of traffic accruing to each international carrier and receives no benefits from its activities in implementing the Formula, it has been required to contend with threats of lawsuits and delays in its service improvement plans resulting from the opposition of one or more of the international carriers.

5. Also, we find that the existing Formula is becoming increasingly incompatible with requirements of the modern handling and processing of international telegrams. The implementation of the Formula distribution provision impeded somewhat the efficient handling of international telegrams even in the past, when such handling was done manually. The problems of implementing the Formula in the context of Western Union's computerized switching system present much greater problems. In this regard, it is estimated that the capital cost of programming the Company's computers to provide the current distribution would be approximately $150,000. Substantial additional programming cost would be incurred each time changes in the existing distribution would be made pursuant to the Formula quota provisions to reflect changing traffic patterns.

6. Although Section XI of the present Formula provides that all of the costs incurred by Western Union in the

distribution of traffic under the Formula shall be equitably shared by the international carriers, Western Union's experience has been that, as a practical matter, it has not been able to recover its full costs in providing this service. In this regard, the Company has experienced difficulties in obtaining the agreement of the international carriers to the amount of its costs and the equitable distribution thereof and has been forced to accept less than full compensation to secure settlement with the carriers.

7. In view of the foregoing, Western Union requests that the Commission consider the feasibility of eliminating the Formula quota system entirely and, in lieu thereof, requiring that all cablegrams be specifically routed by the sender.

8. If this is not found feasible, Western Union requests that the Commission revise the Formula to transfer the responsibility for the distribution of unrouted traffic from Western Union to the International Quota Bureau (IQB) or some other instrument of the international carriers. Under this approach Western Union would transfer unrouted cablegrams to the IQB, who would then pass the traffic to the international carriers in accordance with the revised Formula. Western Union would be agreeable to leasing operating space to the IQB at a suitable Western Union location. Western Union would provide no services for unrouted cablegrams other than those provided for routed cablegrams. Such an arrangement would relieve

Western Union of a source of continuous complaint and place the responsibility for performing this operation where it rightfully belongs, with an instrumentality of the international carriers.

9. If the Commission should determine that the public interest requires that Western Union continue its role in distributing unrouted cablegram traffic, we urge the Commission, as a minimum, to revise the Formula in a manner to ease the burden now incurred by the Company in providing this service.

10. In this regard, the Formula should be simplified to allow for an efficient mechanized handling. The Commission should consider the feasibility of revising the quota system so that all the unrouted traffic destined to each different overseas point is accorded to only one carrier. Most importantly, the Formula should be designed to preclude frequent changes in distribution requiring additional programming of the Company's computers. Since the operations of Western Union and the international record carriers are automated, frequent changes in the Formula would result in inordinate costs and possible delays.

11. As discussed in our prior filings, the language of the revised Formula should be precise and complete to reduce as much as possible the areas open to interpretation and subsequent conflict. Moreover, procedures should be established

to provide for the prompt resolution of any disputes which might arise in the light of changes in the operations of Western Union or the international carriers, new services and carriers, etc. The revised Formula should make clear that Western Union would incur no liability for any errors which it might make in its good faith efforts to distribute traffic among the carriers in accordance with the Formula.

12. The revised Formula should also make clear that all costs, including any capital costs incurred by Western Union to mechanize the quota distribution, will be borne by the international carriers. These costs would include the day-to-day expenses of the quota distribution operation, including distribution of traffic in accordance with IQB instructions, any facility costs that are associated with the unrouted traffic distribution, and any costs incurred by Western Union due to special handling required by a particular carrier. We also urge that under the revised Formula Western Union should be entitled to a reasonable profit for the services it provides in distributing the unrouted traffic. Western Union should no longer be responsible for the allocation of its traffic distribution costs among the international carriers. Rather, Western Union should be permitted merely to bill the IQB monthly for the total costs for the service it renders. The IQB would be responsible for the allocation of such costs among the international carriers.

WHEREFORE, Western Union respectfully requests that the Formula be revised in accordance with the comments set forth hereinabove and in Western Union's prior Statement filed on February 19, 1965, and its Supplement, filed on April 26, 1973.

Respectfully submitted,

THE WESTERN UNION TELEGRAPH COMPANY

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July 8, 1974

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I hereby certify that I have this day served a copy of the foregoing document, filed with the Federal Communications Commission on behalf of The Western Union Telegraph Company, by United States mail, first class postage prepaid, on the following:

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July 8, 1974

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.	)	Docket No. 19660 RM-690

To: The Commission

REPLY COMMENTS OF RCA GLOBAL COMMUNICATIONS, INC.

On July 8, 1974 RCA Global Communications, Inc. (RCA Globcom) provided its comments on the question of whether the existing formula under which distribution of outbound international telegrams is made is unjust, unreasonable, and inequitable, or not in the public interest, and, if so, what changes in the formula should be made. We demonstrated in those comments that neither the carriers nor the Commission were able to cite any changes in the industry which would render invalid the Commission's decision in the Western Union Merger Proceeding, 10 F.C.C. 184 (1943) and thus the formula continues to be just, reasonable, equitable and in the public interest. In furtherance of our position, the following points were made:

- In its 1943 decision, the Commission prescribed the formula after finding that its terms were just, reasonable, equitable and in the public interest.

- A carrier seeking a change in the formula must carry the burden of proving clearly and specifically how the present formula is unjust, unreasonable, and inequitable, or not in the public interest.
- The need for change in the formula must be evaluated in terms of the public interest and not solely whether an individual carrier will benefit from the change.
- A change in the formula that would encourage greatly increased sales expenses and capital costs of the carriers or arbitrarily redistribute existing traffic would not serve the public interest.
- If a change in the formula is found to be in the public interest, the accumulated overages and deficiencies must be recognized.

The comments filed by ITT World Communications Inc. (ITT) and TRT Telecommunications Corporation (TRT), the only carriers opposing the existing formula on substantive grounds,* did not demonstrate in any specific way how the existing formula fails to meet the statutory standard contained in Section 222(e) of the Communications Act. Rather, it was apparent that no public interest would be served through the changes they proposed but instead only that revenues would be transferred to one carrier at the expense of another carrier. Therefore, it is only necesary to supplement our comments in the several limited areas discussed below. But we would initially like to dispel the statement by ITT that the Commission originally prescribed the formula with the intention that it *would be* revised in very short order. See ITT Comments, Statement of Position, and p. 28. Actually, the Commission merely said:

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* While The Western Union Telegraph Company (Western Union) requested a change in the formula, its comments were actually directed at the very limited issue of the administration of the formula. This point will be addressed in our comments below. Comsat General Corporation also filed comments to the effect that the distribution of maritime service telegraph traffic requires consideration separate and apart from the instant proceeding. It requested the Commission to defer any consideration of the maritime situation until a future time. We agree with this approach and accordingly will not reply to Comsat General in this proceeding.

> We cannot undertake to determine now the desirability of an adjustment in the distribution formula which by its nature cannot take effect until a time when the entire world communications picture may be profoundly altered. If the provisions already embodied in the formula for distribution of re-established traffic are not adequate to deal with the problem when it arises, we will review the matter in the light of all the facts, which are now unknown and will then be available. The end of the war may require a major revision of the formula which we have approved, and we do not desire to prejudge the issues which may then arise, by premature action at this time. *Western Union Merger Proceeding*, 10 F.C.C. 184 (1963) at 196.

Thus the Commission only recognized that the formula *might* not be adequate *at some future time in a future set of circumstances*. This is significant since from 1943 to 1964 there were no requests to the Commission for a change in the formula. Obviously during this twenty-year period the formula was operating in a satisfactory manner and was serving not only the private interests of ITT but also the public interest. It was only after twenty years that ITT first made its complaint that the formula prescribed in 1943 should be changed. If ITT found the formula satisfactory in the first twenty years, it should be able to state definitively the differences in circumstances that changed a formula which it did not oppose to one it now terms anachronistic and outmoded. Significantly, its comments do not address this point and the only conclusion left is that ITT has now decided that it can obtain more revenues through a change in the formula and that a change should be made for that reason. We submit that this type of support for a change in the formula is totally inadequate and could not form the basis for finding the existing formula contrary to the public interest.

I. ITT And TRT Have Failed The Burden Of Proving The The Existing Formula Is Unjust, Unreasonable, And Inequitable, Or Not In The Public Interest

As already noted, the comments of ITT and TRT do not give any reasons why a change in the formula would be in the public interest. We submit that unless it can be shown that a change in the formula will have a real benefit to the public or, at least, that there be ground for reasonable expectation of such a benefit, then the carriers requesting a revision in the formula have failed to meet the burden imposed by Section 222(e) of the Communications Act.

A. The Service Rendered By RCA Globcom Is Of The Highest Quality

ITT might have tried to claim that the quality of service provided by one or all of the international carriers is deficient and that there is some causal connection with the formula as it exists today in an attempt to give substance to its claim that the formula is unreasonable. However, such a claim is impossible; ITT consistently recognizes that the quality of international message telegram service is good. Thus it stated:

> That there have not been substantial degradations of service during the life of the formula must be attributed largely to the propensity of most carriers to place a value on customer satisfaction and good will beyond the mere dollar and cents involved . . . . ITT Comments, p. 11.

and

> Fortunately, the international record carriers have not succumbed to the formula disincentives and the formula era has, by and large, been marked by healthy and often vigorous competition. . . . [T]his fact can be largely attributed to the overriding disposition of most carriers to provide high quality service in the interest of favorable customer relations, particularly since many of those telegraph customers will also be customers for other services offered by a carrier. ITT Comments, p. 14.

TRT, on the other hand, states that the formula's operation acts as a disincentive since the advantaged carrier loses its incentive to improve service. This statement is completely without support. TRT has offered no studies which would show that the quality of service of RCA Globcom is less than excellent. There is no assertion that RCA Globcom, or other carriers, have failed to introduce technologically advanced methods of handling international telegrams. The reason for the lack of hard facts in the TRT statement is because just the oppositive is true--for example, RCA Globcom has consistently been a leader in improving the method of providing international telegram service so that a quicker, more cost effective, and generally better quality service is provided to the customer. While a list of all improvements in the method of providing international telegram service would be too extensive to include here, the following are the major changes that have been made by RCA Globcom:

- May 1964-- The first fully automatic commercial computer telegram switching system (CTS) in the world became operational permitting the elimination of the manual torn-tape system of handling telegraph traffic in the New York City central telegraph office with a resulting improvement in the speed and quality of telegram service.
- July 1969-- An automatic retrieval computer (ARC) system enabled RCA Globcom to eliminate most of the delays involved with the processing of telegrams rejected by the CTS caused by, among other things, format irregularities, invalid destination codes, and unrecognized registered addresses. It also provides for the automatic routing of addressed telegrams and generates data for examination and other purposes.
- April 1970-- A domestic automatic telegram system, an adjunct to the ARC computer system, became operational. It converts the format of Western Union originated telegrams to the C.C.I.T.T. F. 31 international format. This system eliminates the delays of manual processing of over 6,000 Western Union telegrams daily thereby providing quicker service to the customer.
- June 1971-- A computer clerical system served to speed the handling of telegrams by streamlining the clerical work connected with the examination of telegram traffic.
- July 1971-- An adjunct to the ARC system automated the delivery of telegrams to RCA Globcom subscribers in the New York City gateway.

- April 1972-- The automatic dial-out computer system was extended to Washington, D.C. subscribers.
- July 1972-- The San Francisco telegram system provided computer switching of certain telegrams to Pacific points previously manually handled by the SF gateway.
- November 1972-- The New York CTO telephone room was modernized with the installation of an automatic call distributor telephone system. As a result, there was a considerable improvement in the acceptance and delivery of telegrams by telephone.
- September 1973-- The automatic dial-out feature of the automatic retrieval computer system was extended to San Francisco subscribers.
- June 1974-- The automatic rerun and monitor computer system provided the CTS with an expanded capability for automatic reruns of telegram traffic.

B. A Change In The Formula As Requested By ITT and TRT Would Not Allow A Reduction In Rates To The Public

ITT or TRT theoretically might have tried to attack the formula by showing that a change in the formula would allow rates to the public to be reduced. Yet neither carrier made such an assertion since they both must realize that the rates are not above a reasonable level and that decreases would not be appropriate at this time.

As with the quality of service, the international carriers have served the public interest, in this case through a number of significant rate decreases since the inception of the formula. For example, in 1943 the rate per full rate word for a telegram to Australia was 60 cents as compared with 28 cents today.

Similarly, the rate to South Africa was 50 cents and is now 28 cents. Many other areas also show such significant decreases. And even those areas where the rates have gone up, the percentage must be deemed insignificant when viewed in the context of the many fold increase in the rates charged by Western Union domestically for a message telegram of equivalent length. Thus the history of telegram rates shows that the public has been served.

As was stated in RCA Globcom's initial comments, the formula has been a positive factor in helping to restrain the cost push associated with the provision of international telegram service. By diminishing the incentive of the carriers to expend excessive amounts on solicitation of directly routed traffic and wasteful duplication of existing facilities, the formula has successfully met the objectives of the Commission and thereby furthered the public interest.

The only manner in which ITT does address the rate question is to state that

> . . . since ITT Worldcom can expect some increase in unrouted traffic when the competitive "penalties" from the existing formula are removed, it believes that it may be able to offset at least in part any need for revenues increases, which may occur if the Commission should award Western Union an increased division of charges for the landline haul of international telegraph messages in the companion proceeding in this docket. ITT Comments, Appendix 1, Issue 4, p. 2.

But all this means is that if ITT were able to divert a large amount of revenue from the other carriers, it would be able to offset some increases in the landlines division. Unstated, of course, is that the other carriers would be in a much worse position to absorb any such increase. The total effect would be to weaken the competing carriers and thus to defeat the very purpose for which ITT claims that the formula should be changed, i.e. to increase competition.

II. The Formula Permits And Encourages Reasonable Competition

In our comments, it was shown that the Commission recognized that the formula it was prescribing would limit certain undesirable consequences of competition. It did this, as noted above, so as to curtail excessive expenditures by carriers for solicitation of traffic and the duplication of existing facilities both of which have an adverse impact on the rates users pay. Far from using competition for competition's sake, the Commission presented a reasoned explanation of why certain consequences of competition should be restrained to benefit the public.

As ITT's comments recognize, the formula gives the international carriers some incentive to actively solicit traffic. ITT states that "[a]s a result of continuing competitive spirit, various carriers. . . attempted. . . to improve their relative market shares", ITT Comments, p. 16; that the alleged problem with overages and deficiencies lies "in traffic shifts resulting from competition between carriers", ITT Comments, p. 17; and that "[i]ndeed, the continued growth of competition can, at least in part, be attributed to this very formula which was apparently designed to restrain competition." ITT Comments, Appendix 1, Issue 2, p. 7. All of these statements support the proposition that the formula does permit the competitive efforts of the carriers to be rewarded with increased revenues. The fact that there are some restraints, while not satisfactory to ITT in its pursuit of increased corporate revenues, has not and can not be shown to be adverse to the public interest.

The attempt to attack the restraint intentionally encouraged by the Commission under the formula as being contrary to the alleged policy that competition is good per se or that the Commission has a general policy of always favoring competition* must fail. As we pointed out in our comments, the Supreme Court has stated that the existence of a regulatory structure under congressionally devised public interest standards mandates that the Commission can not equate competition with the public interest unless it could be shown to be beneficial. See Federal Communications Commission v. RCA Communications, Inc., 346 U.S. 86 (1953). The Commission must, therefore, be careful to support its use of competition as a regulatory tool with findings that benefit, or at least the strong possibility of benefit, will accrue to the public. In the instant case, it has been shown in RCA Globcom's original comments and reinforced above that the only result from the change in the formula proposed by ITT will be to increase ITT's revenues which can hardly be automatically equated with public benefit.

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* See ITT Comments, pp. 13, 25, and 37.

III. The Effects Of A Change In The Formula Cannot Be Forecast Because There Are No Facts On The Exact Distribution Under The Formula

In accordance with the Commission's *Memorandum Opinion and Order*, 43 F.C.C. 2d 1174, the parties were required to address the following question:

> The specific amendments which should be made to the formula to remove each such defect, *the effect each such amendment will have on respondent, other international record carriers*, and on the quality of service provided to and the rates charged the using public. (Emphasis added).

RCA Globcom stated in the initial comments that it was unable to respond to the underlined portion of this issue because the necessary data base was not in existence. We went on to note that the Commission had required that a special study utilizing statistical sampling procedures be done so that the needed information could be accumulated. This study has now been authorized by all of the international record carriers and its completion is expected approximately in January, 1975.

ITT, however, urges that there is no necessity for waiting until the completion of this study and that instead the Commission should proceed and revise the formula on the basis of existing information. Such a procedure would not only be illogical but undoubtedly unlawful. The Commission cannot take action without first knowing the effect on the international record carriers and this cannot be done without the factual foundation the Western Union study will develop.

In our letter of March 11, 1974, RCA Globcom showed that the International Quota Bureau (IQB) did not have any information regarding the number of unrouted messages transferred by Western Union in those situations where a single carrier receives all of the unrouted traffic. We further related that the IQB had acknowledged that the analysis it was preparing on the routed and unrouted to countries where porportional distribution is made apparently contained a considerable distortion. In a further letter dated March 27, 1974 RCA Globcom demonstrated that it was not possible to make accurate estimates of the effect of changes in the formula in view of the inaccurate data now available as to the manner in which the actual distribution of unrouted traffic is being made.

The Commission agreed with the position we expressed and its Memorandum Opinion and Order of May 30, 1974 (FCC 74-565) stated that in framing the issues in the proceeding it "had assumed that an ample data base was readily available and that there would, therefore, be no problem in providing the requested information. Apparently we were in error."

It should also be stressed that ITT did not respond to the issue quoted above other than to state that "[t]he effect which the proposed formula will have upon rates is difficult to predict with precision at this junction and ITT Worldcom, of course, cannot speak for any other carrier." ITT Comments, Appendix, Issue 4, p.2. As a result, the Commission can not make any findings nor reach any conclusions on the desirability of the changes in the formula requested by ITT or TRT except on a most arbitrary basis.

This problem concerning the lack of data was also the major factor why RCA Globcom is still insisting on an oral, evidentiary hearing, as is required by Section 222(e)(3) of the Communications Act, rather than a paper rulemaking one. While we have no doubt that an oral, evidentiary hearing could be insisted upon as a matter of right, especially in light of the Commission's statement concerning the absence of facts in this proceeding, the completion of the Western Union statistical study with the opportunity to file further comments after evaluating the study results, and before the Commission issues its decision, would almost, if not entirely, eliminate our concerns in this respect.

IV. Administration Of The Formula Does Not Require It To Be Changed

Western Union has commented that a change in the formula is necessary because it is becoming "increasingly incompatible with the requirements of the modern handling and processing of international telegrams." Western Union Comments, p.3. While the present method utilized by Western Union to make the distribution may be less than desirable, it is also probable that the distribution could be computerized in a way as to eliminate the need for most, if not all, of the manual attention now required without altering the formula's fundamental basis. RCA Globcom would be willing to share in the costs needed to explore computer programming for this task.

However, it is clear that the revisions suggested by ITT would give Western Union the same administrative problems as the existing formula. Under each of their plans, the distribution of the unrouted traffic would have to be revised as the market share of each carrier changed. Since these changes could be expected to occur frequently, its proposals could actually necessitate Western Union changing the program more often than if the existing formula were maintained.

Western Union also complains that it has experienced difficulties in obtaining the agreement of the international record carriers on the amount of its costs and the equitable sharing thereof for its distribution services under the formula. The only disagreement we are aware of relates to the fact that Western Union has in the past sought to charge the international carriers for functions not involved in the distribution of unrouted traffic, i.e. costs which are supposed to be covered in the regular division of tolls. We do agree that the full costs of identifying which international carrier is to receive what unrouted traffic should be borne by the international

CERTIFICATE OF SERVICE

I, Jean D. Makris, hereby certify that on this 16th day of August, 1974, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

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record carriers and we will continue to pay our share of these costs as required under the formula.

Conclusion

In view of the foregoing and its initial comments filed on July 8, 1974, RCA Globcom requests that the Commission find that the formula continues to operate in the public interest.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

s/ Francis J. DeRosa

s/ Carl J. Cangelosi

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of	)	
	)	Docket No. 19660
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revision to the Formula prescribed under Section 222 of the Communications Act	)	RM-690

RESPONSE OF ITT WORLD COMMUNICATIONS INC.

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Before the
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Washington, D. C. 20554

In the Matter of	)	
	)	Docket No. 19660
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula prescribed under Section 222 of the Communications Act	)	RM-690

RESPONSE OF ITT WORLD COMMUNICATIONS INC.

ITT World Communications Inc. (ITT Worldcom) hereby responds to the comments filed on July 8, 1974[1] in the above referenced matter respecting revision of the International Formula. Initial comments were filed by RCA Global Communications, Inc. (RCA Globcom), Western Union International, Inc. (WUI), TRT Telecommunications, Inc. (TRT), Canadian Pacific Limited (CPL), Comsat General Corporation (Comsat General), Western Union Telegraph Co. (Western Union), and ITT Worldcom. ITT Worldcom, TRT, Western Union and Comsat General all urge that revision of the existing Formula is necessary. CPL seeks only to preserve its Australasia quota in any revision of the Formula. RCA Globcom and WUI, however, urge that nothing is basically wrong with this Formula, whose

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[1] The comments of Canadian Pacific Limited were filed on January 23, 1974.

Before the
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	)	Docket No. 19660
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula prescribed under Section 222 of the Communications Act	)	RM-690

RESPONSE OF ITT WORLD COMMUNICATIONS INC.

ITT World Communications Inc. (ITT Worldcom) hereby responds to the comments filed on July 8, 1974[1] in the above referenced matter respecting revision of the International Formula. Initial comments were filed by RCA Global Communications, Inc. (RCA Globcom), Western Union International, Inc. (WUI), TRT Telecommunications, Inc. (TRT), Canadian Pacific Limited (CPL), Comsat General Corporation (Comsat General), Western Union Telegraph Co. (Western Union), and ITT Worldcom. ITT Worldcom, TRT, Western Union and Comsat General all urge that revision of the existing Formula is necessary. CPL seeks only to preserve its Australasia quota in any revision of the Formula. RCA Globcom and WUI, however, urge that nothing is basically wrong with this Formula, whose shown to be contrary to the public interest". Moreover RCA suggests that the sole basis for the Commission's determination to review the Formula was the length of the period (thirty years) that the Formula has remained unchanged, a criterion which RCA urges is not a valid measure of the public interest.

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[1] The comments of Canadian Pacific Limited were filed on January 23, 1974.

The Commission clearly has descretion to exercise its investigatory authority greater than that urged by RCA, a point hardly worthy of serious argument. The whole weight of the Commission's history and the precedents established thereunder suggest a very broad descretion[3]. Moreover, the logical extension of the RCA argument would require that the Commission possess the very information which an investigation was undertaken to produce, before it could order that such an investigation be conducted. The resultant total paralysis of the administrative process is obvious.

Equally erroneous is the RCA position that the Commission's determination to order this investigation was predicated solely on the age of the Formula. While the Commission itself knows best the full basis for its determination, it is clear that the record before the Commission at the time showed many more specific ills besetting the Formula than simply old age. That record showed that the distribution of unrouted traffic pursuant to this Formula produced serious inequities among competing carriers; that such inequities had been continuing for a number of years; and that the inequities would get worse if the Formula were not soon revised.

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[3] See, for example, FCC v. Pottsville Broadcasting Co., 309 U.S. 134 (1940) and U.S. v. Southwestern Cable Co., 392 U.S. 157 (1968).

Even if the RCA position were found to have some merit to the extent that it urged that the order of investigation should not operate to shift the burden of proof, this argument and the issue were mooted by the July 8 comments of carriers urging revision of the Formula . Those comments are replete with conceptual description, and factual example, which show clearly that the existing Formula is unjust, unreasonable, inequitable and not in the public interest. Since the Commission has these comments before it, no useful purpose would be served by reiteration.

II. The present Formula is not in the public interest; it must be revised

In their efforts to preserve the status quo, both RCA and WUI argue that the Commission must affirmatively find that the existing Formula is not in the public interest before it can prescribe any revision to the Formula. RCA then argues that the ITT Worldcom Complaint focused largely on problems with, and suggested revisions of, the Formula which reflected a self interest perspective rather than that of the public interest. WUI argues that positive harm to the public interest must be shown before a new Formula may be prescribed. In arguing that no such harm exists, WUI urges that the Formula operation has been and continues to be "successful", with traffic being smoothly and efficiently transmitted by Western Union. Thus, it argues, the public interest is clearly served.

Both RCA and WUI attempt to mold the public interest to suit their own private interests. RCA's arguments that ITT Worldcom's self interest is not an appropriate measure of the public interest conveniently ignores the corrollary proposition that RCA's interest in preserving the status quo is equally inappropriate to define the public interest. Similarly the WUI position that the Formula has worked "successfully" and thus operates in the public interest requires an extraordinarily narrow scope for the public interest. In WUI's view the Formula is "successful" because it mechanically works - all international messages delivered to Western Union are transferred to an IRC for foreign transmission. Such a mechanistic definition of success would make equally successful a purely random selection by Western Union of the IRC to whom an unrouted message is transferred, or for that matter, the transferral of all unrouted messages to a single IRC, assuming capability of the IRC to handle the volume.

Such a criteria for judging a given Formula hardly comports with the statutory mandate that the formula be just, reasonable, equitable and in the public interest.

Moreover, while the burden of proving unlawfulness of the existing Formula may lie initially with the carrier or carriers seeking revision of the Formula, this burden certainly has been met by the abundant documentation as to the unlawfulness of this Formula presented by the ITT Worldcom Complaint and associated pleadings and the initial comments of the numerous parties supporting revision of the Formula. Shown beyond dispute is that this Formula effects severe inequities in the distribution of unrouted traffic among competing carriers, inequities which derive solely from the original goal of preserving 1942 market shares, a goal, itself, inconsistent with the public interest in 1974. Concomitantly that Formula necessarily reduces to some degree a carrier's motivation to provide its customers with the best possible product at the lowest reasonable charge. In addition this Formula operates to frustrate, at least to some extent, the Commission's policies and determinations that the public should receive the benefits of healthy competition between the international record carriers. Clearly this Formula cannot be found to be consistent with the public interest, especially given the broad perspective the Commission has consistently used to measure the public interest.

Finally, both RCA and WUI appear to take the position that the Formula can only be found unlawful upon a showing that it is not in the public interest, notwithstanding a clear showing that it is unjust, unreasonable and inequitable. While the point is largely academic since the existing Formula is quite clearly not in the public interest, this position confuses the standard required by Section 222 of the Act for approving or prescribing a new or revised Formula and that for determining unlawfulness of an existing Formula, and needs to be refuted. In determining pursuant to Section 222, whether a proposed Formula will be lawful, the Commission must find that the Formula is just, reasonable, equitable and in the public interest. However, when reviewing an existing Formula the Commission is required to find such Formula to be unlawful and prescribe a new and lawful Formula if the existing Formula fails to meet any of the standards for lawfulness -- i.e. if the existing Formula is unjust or unreasonable or inequitable or not in the public interest it is unlawful and must be revised.

Even if the Commission were unable to find that the existing Formula was *per se* not in the public interest, there remains a clear basis for it to find that the distribution of traffic caused by the Formula is unjust and inequitable. Thus the Commission has been correct in its determination that the Formula should be investigated; and in the end the Commission must prescribe a revised Formula which will be just, reasonable, equitable and in the public interest. The Formula revisions heretofore suggested by ITT Worldcom would satisfy those standards.

III. Alleged investment in physical plant premised on expectations of unchanging formula traffic is not a public interest criterion

RCA and WUI each offer the position that the existing Formula should not be changed because it would cause underutilization of physical plant for a carrier losing unrouted traffic, idled capacity which each claims was installed upon the expectation that the Formula distribution would remain unchanged indefinitely. This position is untenable both from the standpoint of the public interest and the specious basis which it finds in fact.

The ITT Worldcom complaint against the Formula has been a matter of public record for almost ten years. Given the flaws in the Formula which are apparent even on its face, its early revision should reasonably have been foreseen.[4/] Thus it would have been highly imprudent for any carrier management to scale its investment in

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4/ By letter dated February 4, 1966, the Chief of the Common Carrier Bureau advised ITT Worldcom that action on the Complaint, which had been anticipated by that point, had been delayed due to other urgent matters, but that such action would be taken "at the earliest practicable date".

physical plant to [illegible] significant degree upon expectations that unrouted traffic distribution would not be revised. This degree of fiscal imprudence, if in fact it occurred, cannot be excused merely by urging that the public interest favors the avoidance of excess capacity in the industry. The Commission has never construed the public interest as requiring it to shape its policies so as to salvage the profits of an imprudent management.

On a more practical level, the positions taken by RCA and WUI are simply contrary to the realities of the plant necessary to the distribution of international telegraph messages. The physical plant under consideration is comprised largely of switching facilities and the outgoing lines to various foreign destinations. In the switching facility, which is usually a computer, a very large proportion of the total equipment required is largely independent of the volume to be switched, within fairly wide limits. The computer logic, its programming and much of its memory are generally established at somewhat irreducible minimums which can handle a rather large range of instantaneous volumes. The incremental portion of unrouted traffic for any given carrier which might be shifted to another carrier upon revision of the Formula could not, realistically, have been significant in influencing that carriers total investment in switching facilities. The non-relevance of this incremental unrouted traffic to plant investment is even more apparent with respect to the outgoing circuits. As the Commission can easily determine from its own records (input data to the Commission's consolidated industry circuit status report for IRCs), there exist only limited instances where a carrier requires more than one 50 baud channel per country for telegraph message traffic. This irreducible minimum single channel will be required whether message volume is one or one thousand. Thus the incremental volume created by unrouted traffic should have no significant effect on plant investment as respects outgoing channels.

RCA has also argued that the international telegraph message market is declining and that therefore the Commission's policies supporting competition are not relevant to the instant inquiry. This argument is not relevant to the issue of whether the Formula should be revised even if the premise is true. Although in that connection the statistics cited by RCA to show that the market is declining could equally well be interpreted to show that the market, except for a brief spurt in the late sixties, has remained fairly constant. What RCA is basically arguing is that the Commission should not authorize any new competition in the international telegraph market, which begs the question before the Commission. Competition in the international telegraph message market has long been authorized by the Commission and presumably nothing in this proceeding will change this fact. The question at issue is whether all competitors will get an equal opportunity to compete rather than, as today, some being hampered, others advantaged, by a clearly artificial restraint aimed at preserving market shares from an era 30 years remote in time and light years away in communications technology, services, and requirements. ITT Worldcom submits that Section 222 of the Act prohibits such an arbitrary and inequitable distribution of traffic and requires a Formula which basically treats all competitors on an equal basis.

IV. The existing overages and deficiencies must be eliminated

RCA argues that the Commission is legally bound to provide for compensation to RCA for the accumulated deficiencies associated with its position in the Formula; RCA also urges that it is equitably entitled to such compensation because of its good faith compliance with the Formula. This position was anticipated and largely answered in ITT Worldcom's initial comments, and those arguments will not be here repeated. The RCA position that the Commission is legally bound to provide it compensation for accumulated deficiencies is premised on the _prescription_ of the Formula by the Commission. Aside from the conceptual fallacies in this position addressed in the initial comments, the argument also rests on the highly dubious proposition that the Commission's order prescribing the 1943 Formula operated as a warranty that each carrier would always receive exactly the proportion of the traffic which would be calculated pursuant to the Formula. Obviously this was not the Commission's intent or purpose; rather the Commission approved in principle an effort to distribute traffic, over the near short-term, so that the then existing market shares would be maintained. Since the Formula required that all specific routings of traffic be honored, the Commission must have foreseen the possibility that routed traffic handled by a carrier might exceed such carrier's quota for all traffic. It is inconceivable therefore that the Commission prescribed a Formula with a propensity for being unbalanced, with no effective machinery for redressing unbalances, if it intended, to create compensable balances and rigid market sharing arrangements among the interested carriers.

Equally intenable is RCA's claim of an equitable right to be compensated for the accumulated deficiencies because of its good faith compliance with the Formula. The Formula is directed to Western Union and it therefore is the only carrier from which an affirmative "compliance" is required. That RCA has provided required data on its own traffic to the International Quota Bureau, paid its share of the Bureau's costs and generally accepted the Formula distribution without complaint during a period when

RCA was reaping substantial benefits under the Formula, simply shows that the carrier acts in its own obvious self interest.

Moreover, as an equitable matter, RCA has not been deprived by the Formula of any traffic which it has rightfully earned; instead it simply found itself unable to maintain in a competitive marketplace the large share of traffic it had enjoyed in 1942, even with a strong bias from the formula which shifted large numbersof unrouted messages to it for replacement of lost routed traffic.

V. Preservation, in a revised Formula, of artificial provisions for the distribution of Australasia traffic would be contrary to the public interest

CPL has urged that any revision of the Formula must preserve its existing quota of unrouted traffic to Australasia, which it claims to be the subject of a contract between itself and Western Union. For the same reasons earlier urged for eliminating Schedule B from the revised Formula, ITT Worldcom respectfully suggests that arbitrary traffic sharing or routing provisions based simply on 1943 traffic distributions have no place in a 1974 Formula and should be eliminated. And, as with Schedule B, the distribution of traffic to CPL for thirty years, pursuant to its agreement with Western Union has to be considered good and sufficient consideration in satisfaction of whatever obligation prompted the initial agreement. Moreover, even if still contracturally valid, the agreement between Western Union and CPL cannot override the statutory obligation of the Commission to eliminate the striking inequities of the existing Formula.

VI. Only routings via authorized direct circuits should be used in determining proportionate unrouted traffic in a revised formula

In comments which largely parallel the position of ITT Worldcom, TRT urges that unrouted traffic be distributed in proportion to routed traffic, but would include in its allocation base, traffic via authorized direct circuits and via indirect routings. ITT Worldcom believes that inclusion of traffic via indirect routings in the allocation base would be unwise and has previously urged the Commission to use only traffic via authorized direct circuits in the Formula base. This position is based upon the following considerations. To distribute unrouted traffic in proportion to indirect routings would tend to circumvent and frustrate Commission determination as to the degree of competition among IRCs which is reasonable and in the public interest; it would deprive a carrier of traffic to points which the Commission had authorized it to directly serve, while at the same time rewarding, with unrouted traffic, another carrier which the Commission had not certified for service directly to such point. Indirect service necessarily results in a lower proportion of the message toll for the U.S. carrier than via direct service because of the toll share which must be paid to the indirect carriers' intermediate correspondent. Thus, requiring that unrouted messages be sent via an indirect service would produce, by FCC fiat, an unnecessary impact upon the U.S. balance of payments. This impact would be compounded by return messages received, at least in some cases, via the same indirect routings. Finally, as the Commission has previously recognized, the using public receives better service via the direct circuits. The chance for outage or message error is reduced; faster service is also likely due to the elimination of handling and potential congestion at the intermediate switching point.[5/]

In its comments, TRT also urges that gateway traffic be excluded from the traffic base for the revised Formula. The context of its comments suggests, however, that it only wishes to exclude traffic directly picked up by the IRC's in the gateway, not Western Union transfers which were filed in the gateways. The latter position is consistent with the position suggested by ITT Worldcom. Accordingly, ITT Worldcom will reserve comment on this aspect of the TRT proposal in the hope that TRT will clarify the point in its responsive comments.

VII. Revision of the Maritime Formula is also required by the public interest

Comsat General has suggested that the Maritime Formula, which is an appendix to the International Formula, has also been rendered obsolete by changing events, particularly maritime communications via

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5/ See, for example, ITT World Communications Inc. service to Korea, Memorandum Opinion, Order, Authorization and Certificate, File No. T-C-2038-4, released August 5, 1974.

satellite, and must be revised. ITT Worldcom is in basic agreement with the Comsat General position that a revision of the Maritime Formula is required. Indeed, most of the comments directed to the obsolete, inequitable and anachronistic nature of the International Formula are equally applicable to the Maritime Formula.

ITT Worldcom takes strong exception, however, to the Comsat General suggestion that a revised Maritime Formula should base unrouted traffic distribution in part on the relative capacity which each carrier has available in the market. A more irrelevant and arbitrary distribution criteria can hardly be imagined. This argument, which exactly parallels that of RCA and WUI in connection with the physical plant used for international telegraph message traffic, assumes that the unrouted traffic pool is to be used to subsidize a carrier which, for whatever reason, has acquired capacity in excess of that reasonably required to serve the market. The public interest does not embrace such a concept. As long as a carrier has sufficient capacity to accept offered traffic, the matter of available capacity should have no bearing on the distribution of unrouted traffic in any distribution Formula.

While ITT Worldcom agrees with Comsat General that a decisional mechanism must be provided in the Maritime Formula to separate unrouted traffic to be sent via satellite or via the hf/mf systems, this is a matter of primary concern for Western Union. Therefore ITT Worldcom will reserve comment in anticipation of Western Union's position being made known in its responsive comments.

VIII. Administrative simplification of the Formula as urged by Western Union is a desirable goal but specific approaches may be unattainable or undesirable

In its comments Western Union has urged that the Formula be revised and simplified. In offering detailed suggestions Western Union heads its list with the proposal that all cablegrams be required to be routed by the sender. As ITT Worldcom has previously stated in response to this suggestion, it presents a goal to be sought, but does not appear presently workable. If Western Union wishes to pursue this approach it should offer specific methodology for implementing it, including means for assuring that routing selection by customers would be made on a basis which is fair to all carriers; for example, the basis should be such as to avoid the possibility of the customers routing being influenced by the name similarity between WUI and Western Union.

If it is to continue making the unrouted distribution itself, Western Union seeks a simplification of the procedures, perhaps by setting up exclusive countries for each carrier. ITT Worldcom agrees in principle with a simplification of procedures, but strongly opposes the idea of setting up exclusive countries. This approach contains the same flaws as pointed out by ITT Worldcom in its initial comments with respect to a Formula based on worldwide traffic as opposed to individual countries, and the arguments raised there are equally applicable here.

CONCLUSION

ITT Worldcom has shown beyond dispute that the existing International Formula is unjust, unreasonable, inequitable and not in the public interest. It must be revised. ITT Worldcom urges that the Formula be revised so as to distribute unrouted traffic in proportion to routed traffic via authorized direct circuits. Such a Formula will be just, reasonable, equitable and in the public interest.

Respectfully submitted,

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Dated: August 16, 1974

CERTIFICATE OF SERVICE

I, Carol Conistrati, hereby certify that on this 16th day of August, 1974, I mailed a copy of the foregoing "Response of ITT World Communications Inc." by United States mail, postage prepaid to the following persons:

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
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International Record Carriers' Scope)
of Operations in the Continental) Docket No. 19660
United States, Including Possible) RM-690
Revisions to the Formula Prescribed)
under Section 222 of the)
Communications Act.)

REPLY OF WESTERN UNION INTERNATIONAL, INC.

Pursuant to the Commission's Memorandum, Opinion and Order released June 10, 1974, Western Union International, Inc. (WUI) hereby submits its reply to the comments of ITT World Communications Inc. (ITT), RCA Global Communications, Inc. (RCA), TRT Telecommunications Corporation (TRT) and The Western Union Telegraph Company (WUTelCo).

The Formula Well Serves Its Purpose

In considering any proposal to change the international formula, one cardinal fact must be kept in mind and that is that the formula works, and has worked satisfactorily for many decades. It is well understood by those who administer it, and by those who are entitled to its benefits. It has withstood the test of time, and by surviving for thirty years, without significant change to its basic structure, has proved to have been soundly constructed. It is noteworthy that over the entire span of its existence, no complaint or objection has ever been lodged against the formula by any member of the public. In fact, the only objections ever heard come from carriers who clearly believe that they stand to gain traffic from a change in formula. Although their objections are couched in terms of the public interest, none of the pleadings filed in this proceeding have given any valid reason why the current operation of the formula is inimical to the public interest.

Consequently, the question that is before the Commission in this proceeding is solely concerned with how the unrouted message pie shall be sliced; not whether or not the public will benefit from a change in the formula. Whatever the Commission decides, service to the public will not be improved in the least. In fact, an abrupt change in the pattern of distribution of unrouted traffic may well impair service to the public, if as a result some carriers receive more traffic than they are set up to handle and other carriers have capacity which becomes idle.

An additional factor to keep in focus is that the Commission is required by Section 222(e)(3) of the Communications Act of 1934, as amended, to make a positive finding that the current formula "is or will be unjust, unreasonable, or inequitable, or not in the public interest". Consequently it is necessary for any proponent of a change to show by clear and convincing proof that the current operation of the formula is not in the public interest. As will be shown hereinafter, this has not been done.

During its existence, the formula, and the organizations set up to administer it, the International Formula Committee and its operating arm the International Quota Bureau, have efficiently and effectively provided a mechanism to distribute unrouted traffic. As a result, the carriers involved are thoroughly familiar with the system. The procedures are well adapted and honed through long use to be efficient. As a result of their long experience with the formula, each of the carriers receiving traffic have been able to adapt their plant and equipment to provide the most cost-effective configuration to handle the amount of traffic expected to be received.

One of the principal arguments by the proponents of change in the formula consist in the mere assertion that the passage of thirty years somehow renders the formula ipso facto, contrary to the public interest. This argument appears to assume that after prescribing the formula in 1943, the Commission thereafter completely ignored the formula. This is far from the case. The Commission has had it under consideration on several occasions, when it had opportunity to make revisions in the formula. When necessary, the FCC has in fact made any changes deemed necessary to conform to current conditions, without changing the essential nature of the formula.* The principal case arose in connection with the divestment of Western Union Cables. The formula was examined in detail, and many substantial changes were made to accomodate the fact that Western Union Cables was about to become an independent common carrier. Despite the fact that these changes occupied a great deal of the Commission's time and attention, and despite the passage of some 17 years since the adoption of the formula, the Commission then found no reason why the basic concept of the formula was detrimental to the public interest, and did not order any fundamental changes. Had there been any basic flaws in the concept and operation of the formula, they would have been as apparent after 17 years of operation as after 30 years.

No Change is Warranted Unless Required by the Public Interest

Certainly there are good reasons for retaining the formula as is, in the absence of a strong showing of harm to the public interest. The international record communications industry functions best when there is reasonable stability in the conditions under which it operates. Changes in the formula, which controls the distribution of approximately four million messages, should not be made lightly. The plans and arrangements of the carriers, based upon the current distribution.method, would be disrupted with consequent inefficiencies and wastage.

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* See, e.g., RCA Communications, Inc., 19 FCC 1070 (1955); The Western Union Telegraph Co., 25 FCC 532 (1958); RCA Communications, Inc., 29 FCC 485 (1960); The Western Union Telegraph Co., 30 FCC 323 and 951 (1961); The Western Union Telegraph Co., 2 FCC 2d 7 (1965).

The positive achievements of the formula strongly militate against any change without a compelling showing of need. The formula must be credited with preventing the waste of resources in fruitless sales solicitation efforts, and duplication of facilities which bring no public benefit. It has also permitted a reasonable allocation of unrouted messages without constant inter-carrier disputes or favoritism. It must also be credited with achieving one of its principal aims in 1943; that of assuring the continued viability of the public message services of the international carriers. Partly as a result of the operation of the formula, the international record carriers have succeeded in maintaining the same price level (except for a one cent pass-through of an increase in landline haul costs) since 1958, in the face of sharply rising costs and escalating domestic public message prices. At the same time, the formula has fostered keen competition between the international record carriers in quality of service, as evidenced by the fact that all carriers have conducted extensive modernization and computerization of their facilities.

The Formula Has Not Been Shown to be Unjust, Unreasonable, Inequitable or Not in the Public Interest

I. Age Alone Does Not Invalidate the Formula

It is argued since the formula is now thirty-one years old, it is automatically inequitable and hence invalid. This is of course nonsense. There are rules and regulations of the Commission which are older than the formula - does this mean they are also to be considered invalid? Mere repeated recitation of the date that the formula was prescribed does not provide a valid basis for disrupting the industry with large scale changes of the formula, and does not provide the positive showing of harm necessary before any change can be implemented. As shown above, the Commission has repeatedly declined to avail itself of opportunities to revise it.

II. The Formula Does Not Diminish Incentives to Provide Better Service

One of the chief arguments made by proponents of changes in the formula is that its operation provides "disincentives" to providing better service.* This argument is based upon one aspect of the formula, whereby the routed traffic is counted together with the unrouted traffic towards fulfilling a carrier's quota. Thus it is argued that in specific subareas, an increase in routed and self-originated traffic will lead to a corresponding offset in unrouted traffic. This, it is said, leads to a "disincentive" to better service since an increase in routed traffic will not lead to an increase in total traffic.

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* Significantly, no allegation has been made that the formula provides an incentive to poorer service.

This argument reveals a misconception of the nature of the record message industry. The international public message service is today highly computerized. By the very nature of computer operations, it is absolutely necessary for every carrier to treat all messages handled by it in as nearly uniform manner as possible. Thus as a practical matter it is impossible to provide a better grade of service for messages to one destination than messages to another destination. Each carrier is dependent on its overall grade of service to maintain or increase its share of the market, and cannot discriminate amongst destinations. Even if this "disincentive" were to exist for particular areas, for particular carriers, each carrier obtains most of its traffic from routed and pickup traffic, and areas for which this "disincentive" does not exist. Thus no carrier can afford to let its service decline in any area.

The existence of substantial "overages" in numerous areas is proof that no "disincentive" exists. Where a carrier has fulfilled its entire quota through routed and self-originated traffic, each additional message that it picks up through increased solicitation or improved service results in a net gain to that carrier. It is only in the severely limited number of cases where a carrier has not fulfilled its quota through routed traffic that this "balancing" provision of the formula applies. Every carrier has areas where the balancing provision does not apply; and consequently every carrier has strong incentives to increase its grade of service as much as possible, so as to foster a net increase in traffic. ITT admits that "there have not been substantial degradations of service during the life of this formula" (ITT Comments, page 11). Indeed the entire history of the international record carrier industry reveals continuing efforts by all carriers to improve their service, and the present highly developed, computerized operation is evidence that the formula has not in any way limited the inducement to provide the best possible service to the public.

III. The Formula Does Not Operate To Maintain Market Shares

The formula has been accused of being a market-sharing device, since it allocates traffic on the basis of the ratios of traffic handled in the base year. However, the formula itself was designed so as to prevent its being a device to freeze market shares.

It was specifically provided in the formula that all routing by customers should be honored. Every carrier has the right to solicit as much traffic as it wants in the form of routed and self-originated traffic. The formula states that "in distributing unrouted traffic, the Merged Company shall preserve for each carrier and for each category, so far as practicable, the relative distribution...which prevailed during the base period". The framers of the formula therefore foresaw, and specifically made provision for, changes in market shares which will be caused by carriers exceeding their quota by routed and self-originated traffic. Indeed the formula specifically provides that "the right to receive a quota under this formula shall not purport in any manner whatsoever to limit or to restrict a carrier's scope of future operations".

Thus all carriers have been free at all times to increase their traffic and to develop new market areas. TRT in particular has been energetic in finding new areas for its expansion. ITT has admitted that the operation of the international formula has not been an effective device for maintenance of market shares since each carrier "could exceed its base period traffic level with only routed traffic" (ITT Comments page 9).

IV. Overages and Deficiencies Do Not Warrant Change in the Formula

Proponents of change in the formula have urged that the existence of "overages" and "deficiencies" is in itself a sign that the formula is inequitable and thus needs change. It should be realized however that these "overages" and "deficiencies" do not represent real dollars owed by one carrier to another. Rather, they constitute a mere bookkeeping device useful solely in the context of decisions relating to allocation of traffic destined to particular subareas. They are of value solely to IQB personnel in their efforts to insure distribution of unrouted traffic in accordance with quotas, "so far as practicable".

In some subareas, the routed or self-originated traffic handled by certain carriers have consistently been greater than the quota allotment of such carriers, thus leading to mounting totals of "overages". This fact however does not justify any change in the quota. All that means is that the formula's provision respecting market quotas has proved to be of less quantitative significance than the equally valid provision of the formula that specific routings by the customer should be honored. The cumulative overages and deficiencies merely indicate the extent to which it has proved not to be "practicable" to provide the precise market share originally designed. There is no violation of the formula in this. Neither the public nor any carrier is harmed by the fact that in some areas the cumulative overages and deficiencies keep increasing. They are merely a tallying mechanism of no more monetary significance than Monopoly money. Certainly the fact that growing numbers appear on the ledgers of the IQB should not be of concern to the Commission or the public, since the increasing size of these numbers has no practical effect.

WUI Does Not Have an Unfair Competitive Advantage in Gateway Cities

Both ITT and TRT urge that the fact that the formula provides for the designation of certain Western Union Telegraph Company offices in the gateway as WUI offices, for the purpose of administering the formula, somehow gives WUI an unfair advantage. TRT urges that this designation is a "gift", since WUTelCo operates and maintains these offices. These designated offices do not constitute any advantage to WUI. Both RCA and ITT have far more offices in the main gateway city than WUI. There are only three offices of Western Union in New York City which are designated as offices of WUI for purposes of the formula. In contrast, RCA maintains 14 offices and ITT maintains 10 offices in New York City.* WUI is prevented by its agreement with Western Union, pursuant to the formula under which it receives the "benefit" of these offices, from opening its own public offices. Furthermore, WUI receives no gift. For each of the messages received by Western Union at the "designated offices", and subsequently transferred to WUI, WUI is required to pay the full landline haul charges to Western Union. Neither ITT nor RCA pay these charges for messages that are filed in their offices. It is noteworthy that neither ITT nor TRT suggest that all IRC offices in gateway cities be closed in conjunction with its suggestion that WUI be deprived of the designation of Western Union offices. Such a proposal would have the benefit of eliminating duplicate facilities and increasing Western Union's landline haul revenue.

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* In Washington and San Francisco, RCA and ITT each have one office, and one WUTelCo office is designated as a WUI office.

The Proposed Revisions Have Not Been Shown to Confer Public Benefits.

By their ardent advocacy of revisions to the international formula, TRT and ITT have demonstrated that each considers that it would gain traffic by the proposed changes. Significantly lacking, however, is any showing whatsoever that the public would be benefitted. No improvement in service to the public whatsoever would result. No operating improvements will be made; no message will be transmitted faster; and there will be no reduction in charges. Despite the surface simplicity of the proposal, in practice the proposed formula would be far more comple . For example, there are many nations throughout the world to which no carrier has a direct circuit. These are all low volume areas; but provision would somehow have to be made in the formula for these destinations, leading to added complexity.

The proposed use of customer routings to govern distribution of unrouted traffic would inevitably lead to preferred treatment for large-volume business customers to the detriment of small users. A strong incentive would be created for carriers to intensively solicit the large users for routed traffic, since these messages would cause additional outbound unrouted traffic to be received; which in turn would generate increased volumes of inbound traffic through the proportionate return mechanism. The multiplyer effect thus created would lead to distortion in normal business activities. It would become essential for each carrier to concentrate attention on the area where it is easiest to obtain the multiplyer effect - the large business traffic - and to let the small user's traffic slide.

The substitution of the ITT/TRT proposal would undoubtedly cause a change in the traffic flows; but there is no way of knowing at the present just how these flows would be altered. Thus it cannot be ascertained how each carrier will be affected. Conceivably, if a change in the formula affects the utilization ratio of the plant of one or more carriers sufficiently, the increased cost may lead to a request for increased tariff charges. Certainly the Commission should not gamble on the unknown effect of this proposal in the absence of a stronger showing of a public need.

Conclusion

In deciding whether or not to discard a mechanism that has proved its value over the years, the Commission must consider the following facts: the present formula serves the public and the carriers well; no detriment to the public has been shown; no advantage to the public of the proposal has been demonstrated; and the effect on the carriers of the proposed formula is totally unknown.

The international formula has been with us for a long time. All carriers are thoroughly familiar with this and have adapted their operations to it. In the absence of any compelling argument that the formula has become unjust, inequitable or not in the public interest, no changes should be made.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: Roger P. Newell
Senior Attorney

One WUI Plaza
New York, New York 10004

Dated: August 16, 1974

CERTIFICATE OF SERVICE

I, Susan Braitman, do hereby certify that a copy of the foregoing document has been sent by United States mail, postage prepaid, to the following:

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/s/ Susan Braitman

August 16, 1974

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
International Record Carriers' Scope) Docket 19660
of Operations in the Continental United) RM-690
States, Including Possible Revisions to)
the Formula Prescribed under Section 222)
of the Communications Act.)

RESPONSIVE COMMENTS OF TRT TELECOMMUNICATIONS CORPORATION

By Memorandum, Opinion, and Order (Order) released November 26, 1973 in Docket 19660, the Commission ordered an investigation to determine whether the International Formula (the Formula) should be revised. In response to the Commission's Order, Comments were filed by Comsat General Corporation, ITT World Communications Inc (ITT), RCA Global Communications, Inc (RCA), Western Union International, Inc (WUI), the Western Union Telegraph Company (Western Union) and TRT Telecommunications Corporation (TRT). TRT herein responds to the Comments filed by RCA and WUI.

The Commission in its Order pointed out that ITT's 1964 petition and the responses to that petition

> "[R]aise a substantial question as to whether the formula has kept pace with the developments in the industry since 1943. We agree that it is time, some 30 years later, to re-evaluate that structure in light of present realities."
> (Par 11)

The Commission concluded that:

> "We believe that the ITT petition and associated pleadings make a prima facie showing that the current formula is or will be unjust, unreasonable, or inequitable and thus not in the public interest." (Par 2)

Both ITT and TRT filed lengthy Comments further demonstrating the fact that the International Formula, which was prescribed by the Commission in 1943 (and is based on 1942 relative traffic distribution), is completely outmoded in light of the current industry structure and that based on current relative routed traffic distribution results in substantial benefits to RCA and WUI at the expense of ITT and TRT. Neither RCA nor WUI refute this point. Nor do they dispute the merits of the position advanced by TRT in its June 26, 1973 letter to the Commission.

Instead RCA and WUI raise procedural issues. They take the position that ITT and TRT have the burden of proof that the Formula is not in the public interest. They further contend that a "full hearing" is required pursuant to Section 222(e)(3) of the Communications Act before the Commission can prescribe a revised Formula. Indeed, WUI goes so far as to state that "the Commission must have positive proof of significant, lasting damage to the public interest." (Comments of WUI, p 2) However, WUI gives no support for requiring such a high standard of proof.

In any event TRT believes that its Comments conclusively demonstrate that the Formula is unjust, unreasonable and inequitable, and not in the public interest. Indeed, in its Comments (pp 10-11) TRT explains how the Formula actually acts as a disincentive to the carriers to improve their message service.

Moreover--while both RCA and WUI attempt to minimize the importance of revising the Formula so as to make the distribution of unrouted messages more equitable among the competing international record carriers--the very passage which RCA quotes from the Western Union Merger Proceeding at page 9 of its Comments undermines its position. In that passage the FCC states that, in arriving at a Formula which is in the public interest, "weight should be given to the equities as between the various carriers, and to the interests of the public in maintaining the strength and service of all carriers. . . ."

Turning to the issue of whether a "hearing" procedure is required, TRT is aware that Section 222(e)(3) of the Communications Act specifically refers to a "full hearing." However, since no facts material to the resolution of this proceeding have been controverted, it would appear that under these peculiar circumstances, a hearing procedure would be meaningless and hence unnecessary. Nevertheless, if despite these circumstances, the Commission is of the view that Section 222(e)(3) requires a hearing to be held, TRT submits that such a hearing should be expeditiously held so as not to further delay the outcome of this proceeding.

Finally, TRT reaffirms its position (as indicated on page 16 of its Comments) that the simplest method, and a fair method, for proportioning unrouted traffic among the US international record carriers (IRCs) would be to divide unrouted traffic to each and every destination equally among all IRCs tariffed to serve that destination. An alternative, but more complicated method, would be to allocate unrouted traffic in proportion to the amount of routed traffic generated to each and every tariffed point.*

CONCLUSION

In view of the foregoing and TRT's Comments filed July 8, 1974, TRT submits that the Formula should be revised in accordance with the suggestions advanced by TRT.

Respectfully submitted,

TRT TELECOMMUNICATIONS CORPORATION

BY David H Lubetzky
David H Lubetzky
Vice President-Regulatory
Affairs & Counsel

August 16, 1974

---

* With respect to this alternative, TRT has stressed that the traffic which originates within the five gateways of San Francisco, New York, Washington, Miami and New Orleans should not be considered as routed traffic.

CERTIFICATE OF SERVICE

I, Beverly Ann Sincavage, hereby certify that I have sent the foregoing Responsive Comments of TRT Telecommunications Corporation this 16th day of August 1974 to the following by United States mail, postage prepaid.

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Beverly Ann Sincavage
Beverly Ann Sincavage

August 16, 1974

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.	)	Docket No. 19660 RM-690

RESPONSE OF THE WESTERN UNION TELEGRAPH COMPANY

The Western Union Telegraph Company (Western Union) herein submits its response to the comments of ITT World Communications Inc., RCA Global Communications, Inc., Western Union International, Inc., and TRT Telecommunications Corporation (collectively referred to herein as International Record Carriers) in the above-referenced proceeding.

1. Before commenting on the specific suggestions of the International Record Carriers, Western Union reiterates its principle position as stated in its comments that if the quota distribution system cannot be eliminated, that Western Union be permitted to withdraw from the handling and distributing of unrouted cablegram traffic. There is no need that Western Union take part in the distribution of unrouted

traffic. Western Union continues to find itself placed in the unwanted (and unnecessary) positions of being subject to various International Record Carriers' complaints, of having to expend its own financial and manpower resources on a matter essentially unrelated to a revenue producing activity, and of failing to fully recover its cost of the quota distribution operation. To further complicate the latter problem, any increase in cost to be borne by the International Carriers must be negotiated and agreed to by all the International Record Carriers, resulting in considerable time being spent by Western Union personnel in the negotiating process and an increase in cost, at least initially must be borne by Western Union. Certainly, the handling of unrouted cablegram traffic and the responsibility for performing this operation should be handled by separate instrumentality of the International Carriers formed specifically for this purpose.

2. Of the Carriers filing comments, only ITT World Communications, Inc. (ITT) and TRT Telecommunications Corporation (TRT) made specific suggestions as to the manner in which the formula should be revised. Briefly, ITT argues for an approach which would eliminate quotas as such and distribute unrouted traffic equally among all carriers for authority to serve a given destination. Unrouted traffic would be distributed in proportion to routed traffic by carrier and by destination country. Western Union

suggests that if this proposal is adopted by the Commission, and if Western Union is to be a part of the quota distribution operation, the Commission fully consider how any new formula will effect the efficiency of Western Union's automatic operations, and whether it will be compatible with Western Union's existing programs.

3. TRT suggests that the Quota Bureau be dissolved; that the percentages for each carrier and for each country or overseas destination be determined annually for the latest complete year; that the carriers report to the FCC the number and the tolls of all routed and unrouted messages to each country or overseas destination; and that the computation of the percentages and the verification of the reporting be the responsibility of the FCC. TRT also urges that Western Union be substituted for the Quota Bureau, arguing that a "look-up table" could be easily incorporated into any automatic switching facility now employed or proposed by Western Union and that Western Union would simply proportion all traffic as received. In other words, TRT advocates that by incorporating the Formula into Western Union's software programs, our requirements with regard to ease of operation would be satisfied. However, such is simply not the case. The altering of our software programs is not necessarily an easy task, manual processing would continue to be necessary,

and the periodic reports on messages and tolls suggested by TRT, in which presumably Western Union would have to participate, would be an extensive and time-consuming operation, resulting in further programming and operational difficulties. Again, the International Carriers can handle these problems by themselves, with Western Union simply turning over all unrouted messages (assuming our "all routed" recommendation is not adopted by the Commission) to an instrumentality of the International Carriers established specifically for that purpose.

Respectfully submitted,

THE WESTERN UNION TELEGRAPH COMPANY

By Jack Werner
Jack Werner

Laurence Singer
Laurence Singer

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Its Attorneys

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Dated: August 16, 1974

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document filed with the Federal Communications Commission on behalf of The Western Union Telegraph Company by first class United States mail, postage prepaid, on the following:

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Sandra A. Oakes
Sandra A. Oakes

Dated: August 16, 1974

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

RECEIVED
SEP - 6 1974
[illegible]
WASHINGTON

In the Matter of)
)
International Record Carriers' Scope)
of Operations in the Continental) Docket 19660
United States, Including Possible)
Revisions to the Formula prescribed)
under Section 222 of the Communications)
Act.)

To: The Commission

RESPONSIVE COMMENTS OF WESTERN UNION INTERNATIONAL, INC.

Western Union International, Inc. (WUI) hereby replies to the responses of ITT World Communications Inc. (ITT), RCA Global Communications, Inc. (RCA), TRT Telecommunications Corporation (TRT) and the Western Union Telegraph Company (WUTelCo), all dated August 16, 1974.

The carriers proposing changes have now had several opportunities to demonstrate that there are defects in the international formula sufficient to justify interfering with a mechanism that has functioned well and efficiently for many decades. However, not one of the pleadings filed to date by ITT or TRT has given any concrete evidence whatsoever of defects in the formula, other than unsupported assertions using vague adjectives such as "outmoded", "inequitable", or "unreasonable". No carrier has provided any indication of exactly in what manner any of the carriers or the public are being damaged by the current operation of the formula.

In arguing that the formula is outmoded, the proponents of change, who have the burden of proof, have failed to show which features of the formula are "outmoded", and how such features adversely affect the public interest. In arguing that it is inequitable, they do not show the nature or extent of this supposed inequity, or which carriers are harmed. They do not show the volumes of traffic each carrier should receive if this "inequity" should be removed, nor do they explain the standards of fairness they have chosen. In arguing that the formula does not serve the public interest, they do not show which segments of the public have been damaged by the operation of the formula, nor in what manner, nor how this alleged damage would be eliminated by their proposals.

The only substantive argument advanced to show that the formula's operation is contrary to the public interest is the assertion that it provides "disincentives" - whatever they are - to providing better service for certain carriers in certain sub-areas where an increase in routed traffic would not result in a net increase in total traffic. In no way does this argument indicate a detriment to the public.

It is impossible for any carrier to distinguish among destinations so as to limit its efforts to improve its service to traffic destined to points where this "disincentive" does not apply, and leaving its service unimproved for traffic destined to all other points. The computerized nature of carrier operations, not to mention the prohibition against discrimination contained in Section 202(a) of the Communications Act of 1934, would prevent such distinction.

Even if a carrier were able and willing to make such a distinction, the total amount of traffic to which this "disincentive" might apply is small. Attached hereto as Attachment A is a listing of carriers and sub-areas for which, based on traffic distribution instructions in effect at the end of 1973, a carrier would lose an unrouted message for every additional routed message obtained by that carrier. It can be seen that of a total of 8.4 million outbound international messages in 1973, only 1.9 million, or 23% would be subject to such a "disincentive". Obviously no carrier would jeopardize the vast majority of its traffic by permitting its quality of service to deteriorate simply on the ground that a small proportion of traffic would not be affected.

As WUI pointed out in its Comments, the public would be harmed by a change in the formula, if such a change resulted in a diversion of significant amounts of traffic, since the carrier losing traffic would be left with potentially substantial amounts of unused capacity. In reply, ITT argues that such carriers should have foreseen the change in the formula which ITT is urging, and therefore any purchase of plant to handle the traffic which such carriers were then actually receiving (but might lose) was "imprudent". The argument is deserving of little consideration. Of course all carriers must acquire the physical plant necessary to meet the public's demand for service. It would have been highly imprudent for any carrier not to do so, on the speculative possibility of a formula change in the uncertain future.

Furthermore, ITT's argument assumes that which is to be proved: The mere filing of ITT's petition does not prove that the formula should or would be changed. In view of the fact that the public will not be benefitted in the least by the change in the formula that is proposed, it would have been illogical and imprudent for carriers to act on the assumption that ITT's petition would be granted.

In summary, no showing has been made that the formula is contrary to the public interest or is unfair, beyond sweeping and vague assertions. There is a total lack of hard evidence to support these self-serving assertions. Moreover, the data base has not yet been developed in order to gauge the effects upon the international carrier industry, and its component members, of formula revisions proposed by ITT and TRT. Since it is clear that service to the public will not be affected by the proposed formula revisions, the Commission should carefully consider whether its valuable time and resources would be better employed in areas where substantive accomplishments in the public interest are possible.

Accordingly, WUI recommends that this proceeding be terminated. Alternatively, WUI asserts its statutory right to "a full hearing" (replete with evidence submitted under oath, cross-examination, proposed findings, oral argument, etc.) which is a condition precedent under Section 222(e)(3) of the Communications Act to the invalidation of the existing formula and to the prescription of a revised formula.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: Roger P. Newell
Senior Attorney

One WUI Plaza
New York, New York 10004

September 3, 1974

1973 Traffic For Sub-Areas In Which Unrouted Volume Is Affected By Routed Volume

(Messages)

Sub-Area	WUI	RCA	ITT/Globe Wireless	TRT	Total
Belgium	39255	17050	-	-	56305
France	139091	-	70485	-	209576
Germany	208190	57894	-	-	266084
Holland	59896	20077	-	-	79973
Italy	212873	-	66486	-	279359
Norway	8119	31425	-	-	39544
Denmark	18647	-	16813	-	35460
Greece	44982	41712	-	-	86694
Hungary	4809	-	8435	-	13244
Rumania	5038	4522	-	-	9560
Bermuda & BWI	53642	-	-	-	53642
Dom. Rep. & Haiti	-	27101	45929	-	73030
Jamaica	33978	-	-	-	33978
Puerto Rico	81006	-	41695	-	122701
Other West Indies	24549	-	39252	-	63801
Ecuador & Venz.	-	51781	131269	-	183050
Australia & N.Z.	-	143451	-	-	143451
Philippine Islands	-	98510	56341	-	154851

Total: 1904303

Total 1973 U.S. Originating Messages: 8,396,998

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I, Anne Kurcman, do hereby certify that a copy of the foregoing document has been sent by United States mail, postage prepaid, to the following:

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/s/ Anne Kurcman

September 3, 1974

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.

Docket No. 19660
RM-690

To: The Commission

FURTHER COMMENTS OF RCA GLOBAL COMMUNICATIONS, INC.

RCA Global Communications, Inc. (RCA Globcom) hereby submits further comments on the question of whether the existing formula under which distribution of outbound international telegrams is made is unjust, unreasonable, and inequitable, or not in the public interest. In the comments filed on July 8, 1974 and the reply comments filed on August 16, 1974 RCA Globcom demonstrated that the formula is lawful and accordingly should not be changed. ITT World Communications Inc. (ITT), on the other hand, continued to argue in its August 16 filing that the formula is contrary to the public interest and also inequitable to the carriers.

In view of the extensive filings already submitted, RCA Globcom believes that only the following points need to be emphasized at this time. First, neither the public interest nor the consideration of equity between the carriers requires a change in the formula. Second, the traffic effects of a change in the formula cannot be reasonably forecast without the statistical data on unrouted traffic that will be provided by The Western Union Telegraph Company (Western Union) study. Failure of the Commission to consider the consequences of a change in the formula on the public and the carriers based on the unrouted traffic data would be legal error as will be shown below.

The Public Interest Will Not Be Served By A Change In The Formula As Suggested By ITT

In our prior comments, we showed that international telegram volume today is approximately 16% lower than in 1963 and that the longer term trend indicated further decreases in volume. We argued that given this type of market, increased competitive efforts of the international carriers would merely add to solicitation costs which could not be offset through increased volumes. These costs eventually would have to be passed on to customers in this presently static market in the form of higher rates. The result is clearly that the public would not be served through a change in the formula that lead to increased soliciation of traffic. For these reasons, and the others in our prior comments, we stated that the Commission should find the existing formula lawful and likewise reject the ITT arguments calling for a new formula under which the unrouted traffic would be distributed in proportion to the routed traffic.

RCA Globcom's position concerning the public interest has not been countered by ITT. It has not disputed our contention that greatly increased solicitation costs will result from the change it recommends. It has not stated that rates will be reduced. In summary it has completely failed to come to grips with the public interest consideration. ITT's response is to the effect that while its self-interest may not equate with the public interest, neither does RCA Globcom's interest in maintaining the existing formula. We have never equated the public interest with increased revenues to RCA Globcom. Rather the entire argument in our prior comments has been in terms of service to the public, rates to be paid by the public, and other considerations that relate to the public interest.

Even though ITT has not refuted the assertion that the result of its recommended change in the formula will be an increase in soliciation expenses for all carriers, it is relevant to consider the effect in dollars such an increase could have. RCA Globcom estimates that approximately $2-3 million will be expended this year by the international record carriers just in the effort to solicit international telegram traffic. With the ITT change, this amount would probably increase greatly.

It is very doubtful that this industry cost of soliciting traffic produces any appreciable amount of new revenue that would not otherwise exist. As a result telegram users in the long run will pay for these costs without any particular benefit. The Commission should consider whether there is any public benefit to continuing these unnecessary operating expenses and whether it would be more beneficial to establish policies to reduce them.

It should be noted that the carriers face a time period that is extremely difficult. Costs of providing service are rising at unprecedented rates and it is expected that this trend will continue for the foreseeable future. Under the circumstances, it will take every possible effort just to maintain the existing level of rates. In view of this situation, the Commission should consider establishing policies to help hold down the spiralling costs such as:

- Minimizing the incentive of carriers to spend unproductive sums of money on efforts to the extent that no benefit accrues to the user. The present formula does have such a restraining effect on solicitation expense.
- Consider other means that would relieve the customer that chooses to send unrouted traffic of the cost burden of solicitation. This could be accomplished by charging customers who route their messages for the two words "via XYZ".

It is probable that adoption of these two principles in the long run would save users millions of dollars a year and thus be beneficial to the public.

Equity As Between The Carriers Does Not Require A Change In The Formula

Realizing that it cannot show that the existing formula is adverse to the public interest, ITT states that it only has to demonstrate that the formula is inequitable as between the various carriers. Aside from its legal position, ITT again fails to carry its burden since there is no showing that the existing formula is inequitable or that its recommendation is now equitable.

It must be remembered that when the formula was prescribed in 1943 by the Commission, it was found to be not only just, reasonable and in the public interest but also equitable. It is noteworthy that no carrier formally complained to the Commission from 1943 to 1964 concerning the equity of the formula nor did the Commission on its own motion seek to change it. Consequently, ITT has the burden of showing the change in conditions which now makes inequitable a formula prescribed by the Commission and indisputable equitable for 20 of the last 30 years.

ITT has not carried this burden. Only by defining equity as encompassing ITT's interest alone can it argue that its change in the formula would be equitable. But the term's meaning is much broader. It does not include just the interests of a single carrier but rather all of the carriers receiving traffic under the formula. In this respect, the Commission must consider as part of the equities involved that RCA Globcom has carried traffic under the formula for 30 years. We have provided unsurpassed quality of service to the public. In return, we have relied on the revenues that have accrued from this traffic to support the message telegram segment of our business. To suddenly change the formula so that a significant portion of those revenues are taken away would be grossly inequitable.

On the other hand, ITT's argument for even more revenues cannot be viewed with the same concern by the Commission. ITT has received more total telegram traffic over the past 30 years than was originally envisioned under the formula. Today its overages are in excess of $24.6 million. This is excess benefit already received by ITT by virtue of the operation of a formula it labels "inequitable". Once having received more than envisioned, ITT should not be heard now to state that equity demands even further amounts to be transferred from the other carriers to ITT.

The Commission Cannot Lawfully Prescribe A New Formula Without The Information To Be Developed By The Western Union Statistical Study

The Commission has already recognized that neither the carriers nor the Commission itself has the data base necessary to answer the issue calling for statistical data on the present distribution of traffic under the formula. See Memorandum Opinion and Order, Docket No. 19660, FCC 74-565, adopted May 30, 1974. The causes for this lack of data have already been described in our prior letters, comments and reply comments in this proceeding. Briefly, it results from the fact that unrouted traffic statistics are not reported in those situations where a single carrier receives all of the unrouted traffic to a single destination.* Accordingly, the unrouted data to many countries is not known by the Commission.

The lack of an unrouted data base will be remedied by the statistical study financed jointly by the international record carriers and undertaken by Western Union. This computerized study will provide the actual distribution by origin for unrouted traffic for all of the countries to which traffic is distributed. However, the statistical study will not be completed until approximately the beginning of 1975.

While it is unfortunate that the statistical study is not available at this time, the Commission must recognize that it would be unlawful for it to act before the facts on the distribution under the formula are known. For only after the Commission has these ascertainable facts on the distribution of unrouted traffic will it be in a position to forecast the effect of any change in the formula.

The Commission has recognized the importance of the effects of a change in the formula on the carriers in the very issues which it designated for hearing. Thus the parties were required to address the following issue:

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* In addition, the International Quota Bureau has acknowledged a defect in the data for those countries where proportional distribution is made.

> The specific amendments which should be made to the formula to remove each such defect, the effect each such amendment will have on respondent, other international record carriers, and on the quality of service provided to and the rates charged the using public. (Emphasis added).

This issue merely states explicitly one of the most significant considerations that the Commission must address in evaluating the lawfulness of a new formula. It is inherent in the statutory framework of Section 222(e)(3) that the effects of a change on the carriers must be considered. The failure to ascertain these effects and make findings concerning them would be contrary to the Administrative Procedure Act, established case precedent, as well as the Communications Act.

As RCA Globcom has previously demonstrated to the Commission, Section 222(e)(3) requires an oral, evidentiary hearing rather than a paper rulemaking one. Section 557 of the APA would thus require that the Commission issue a decision showing its findings and conclusions and the reasons or basis therefor. It is obvious that the Commission could not issue findings on the effects of a change in the distribution of traffic under the formula since there are no reliable statistics on the subject. Nor could the Commission reach supportable conclusions without facts.

But while it is important that RCA Globcom is entitled to an oral evidentiary hearing, this fact does not affect the Commission's obligation to base its decision on a sufficient factual basis. In City of Chicago v. Federal Power Com'n, 458 F. 2d 731 at 743, (1971), it was decided that the nature of the courts review "depends not on whether the Commission has issued a rule or an adjudicatory order, but on the nature of the record presented" for review. The court went on to state that whether rulemaking or adjudication, "a primary objective is the acquisition of information which will enable the Commission to carry out effectively the provision of the" enabling statute. Id. at 744.

The basic principle that supporting facts are needed has been well established in the courts. In the Permian Basin Case, the Supreme Court held that judicial review of the Federal Power Commission's orders will function accurately and efficaciously "only if the Commission indicates fully and carefully the methods by which, and the purposes for which it has chosen to act, as well as the consequences of its orders for the character and future development of the industry." 390 U.S. 767 at 792, (1968) (Emphasis added). While this decision was issued in the context of a rate of return proceeding, the principle yields the same result when applied to the instant case.

Other courts have also held that the lack of information may be so pervasive that the court cannot determine whether an agency order comports with the requirements of the agency's enabling statute. See Public Serv. Com'n, State of N.Y. v. Federal Power Com'n, 487 F. 2d 1043 (1973). In these cases, the courts have either reversed or remanded the agency order.

Conclusion

On the basis of the comments already before the Commission, we submit that there is more than adequate support for determining that the existing formula continues to operate in the public interest and is lawful in all other respects. Therefore, the Commission can properly issue a decision at this time affirming the existing formula. However, should the Commission nevertheless determine that the present formula should be changed, it cannot prescribe a new one until it has the facts essential to support the conclusion that such new formula would meet the statutory standards set out in Section 222(e)(3). These facts will not be in existence until the completion of the Western Union statistical study. Therefore, the Commission should either issue a decision affirming the lawfulness of the formula or wait until the completion of the Western Under study, and until the carriers have had time to comment on the conclusions of that study, and thereafter issue its decision.

Respectfully submitted,
RCA GLOBAL COMMUNICATIONS, INC.

s/ Francis J. DeRosa

s/ Carl J. Cangelosi

Its Attorneys
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September 6, 1974

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COUNSEL
WASHINGTON

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of	)	
	)	Docket No. 19660
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revision to the Formula prescribed under Section 222 of the Communications Act	)	RM-690

REPLY OF ITT WORLD COMMUNICATIONS INC.

HOWARD A. WHITE
Senior Vice President
And General Counsel

JOHN A. LIGON
Attorney

Of Counsel:

John F. Gibbons, Esq.

Dated: September 3, 1974

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of	)	
	)	Docket No. 19660
International Record Carriers' Scope	)	RM - 690
of Operations in the Continental United	)	
States Including Possible Revisions to	)	
the Formula prescribed under Section 222	)	
of the Communications Act	)	

REPLY OF ITT WORLD COMMUNICATIONS INC.

ITT World Communications Inc. (ITT Worldcom) hereby replies to the responsive comments filed on August 16, 1974 in the above referenced matter respecting revision of the International Formula. In addition to those of ITT Worldcom, responsive comments were filed by RCA Global Communications, Inc. (RCA Globcom), Western Union International, Inc. (WUI), TRT Telecommunications, Inc. (TRT), and Western Union Telegraph Company (Western Union).[1/]

By and large these responsive comments were simply reiterations of previously stated positions and arguments and have already been adequately answered. A few points do, however, merit further comment. In its Comments hereafter, ITT Worldcom will show the

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[1/] Informational Comments were also filed, at the request of the Commission's Staff, by the International Quota Bureau (IQB).

following:

(i) Despite the creation of a smoke screen of trivial and irrelevant "public interest" arguments by RCA Globcom and WUI in hopes of salvaging their special interests from the existing Formula, it remains clear and apparent that this Formula fosters severe inequities and is otherwise unjust and unreasonable, and is therefore unlawful; the Formula must be revised.

(ii) Notwithstanding its protestations of equality of treatment, WUI clearly enjoys a substantial competitive advantage through its "exclusivity" arrangement for unrouted traffic filed in certain Western Union gateway offices; that arrangement should be terminated.

(iii) RCA's claim of a compensable right to "its" accumulated deficiencies, which has already been shown to be baseless, is completely destroyed by recently discovered statistics showing a net gain in market share for RCA over the life of the existing Formula.

(iv) The change of position by TRT, to advocacy of an equal distribution of unrouted traffic among carriers, may serve TRT's self-interest, but the Section 222 criteria and the public interest are better served by a Formula which allocates unrouted traffic in proportion to routed traffic.

(v) No oral hearing is required in this proceeding because, as previous pleadings make clear, there are no material facts in dispute.

COMMENTS

I. Both RCA Globcom and WUI have predicated their arguments, aimed at preserving their self interested positions in the existing Formula, largely on the twin premises that (1) the existing Formula must be found to be seriously in conflict with the "public interest" and (2) that any revised Formula must provide substantial public benefits not found in the existing Formula, before a new Formula may be prescribed by the Commission. This "standard of convenience" urged by RCA Globcom and WUI must fail as a measure of the lawfulness of the Formula because:

> (1) The concept of the "public interest" has been contorted by both RCA Globcom and WUI into a diminutive embracing primarily those carriers' own private interests; and
>
> (2) The perspective urged by RCA Globcom and WUI seriously conflicts with the criteria established by Section 222 of the Communications Act for judging the lawfulness of a given Formula.

Based on the comments of RCA and WUI, one would be left with the impression that the "public interest" basically encompassed only two criteria: (1) the preservation of the revenue share derived by RCA and WUI from the existing Formula; and (2) the relative frequency of complaints leveled against a given Formula. Thus, both of those carriers construct a "public interest" which would oppose a Formula revision that caused a transfer of revenue from themselves to other carriers participating in the Formula. This same "public interest", however, easily countenances the continued maintenance of a Formula which unfairly and unjustly deprives other carriers of an equitable share of the unrouted traffic, and revenue therefrom, extra revenues which are received by RCA and WUI. Moreover, the argument which each carrier makes, that the only effect occurring from a revised formula would be a revenue shift and thus that such a revision would not be in the public interest, is refuted by simple examination of the existing Formula and its history. Each carrier, for example, argues that the existing Formula establishes no disincentives to competition. ITT Worldcom has already shown in prior comments that, notwithstanding some fairly vigorous competition among the carriers, the existing Formula does create serious disincentives to competitive enterprise (which competitive enterprise the Commission has repeatedly found to be in the public interest). Indeed both RCA and WUI tacitly concede that competition has been lessened by the existing Formula in their arguments extolling the virtue of this Formula as having reduced duplicating efforts and facilities.[2] Such a reduction of competitive effort, where occurring, likely reduces quality of service to the public as well; rather unlikely, however, is that such a reduction in competition resulted in any comparable cost reduction, given the scope and scale of each of the carriers operations.

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[2] In this same context it is noted that WUI argues, at page 8 of its responsive pleading, that the Formula does not operate as an anti-competitive market sharing device, while at page 10 of the same pleading in attempting to rationalize the cumulative imbalances which characterize the existing Formula, WUI urges that these imbalances merely indicate areas where it has not been practicable to preserve the "precise market share originally designed".

In support of its "public interest", RCA has also urged that the lack of complaint by ITT Worldcom for the first 20 years of the Formula's operation shows that the Formula was in the public interest for all of that period; RCA then urges that nothing has changed in the Formula operation during the last 10 years and therefore it is still in the public interest. Somewhat similarly WUI urges that since the Formula has mechanically worked for almost 30 years and since no member of the public has ever complained about the Formula, it must be in the public interest.[3/]

The mere fact of resort by these carriers to arguments of such inanity and irrelevancy eloquently illustrates the complete lack of merit in the positions which they have urged here. WUI's argument that the Formula mechanically works and is thus in the public interest is repeated from a previous pleading and has already been refuted by ITT Worldcom.

[3/] WUI also suggests that the Commission has had the Formula under examination on several occasions during its 30 year life and has never seen fit to require any substantial revisions. An examination of the cases cited by WUI in support of this proposition show however that in no case was the lawfulness of the conceptual basis of this Formula at issue. Instead the cases involved interpretation of the Formula, or changes in the Formula to fit changed circumstances (divestment of WU Cables), or simply changing the landline divisions of charges.

Moreover, it can hardly be surprising (or relevant) that no member of the using public has ever complained against the Formula. That public is almost certainly completely unaware that such a Formula even exists. Except as to quality of service, that public is largely unaffected by the Formula, and even with respect to quality of service, the public has no awareness of the effect.

Finally, even assuming a relevancy between the frequency or timing of carrier complaints and the lawfulness of the Formula, there have been numerous informal complaints made with respect to the Formula through its history, largely through the medium of the International Formula Committee. Moreover, the Commission itself expressed concern in the early 1950's about problems with the Formula,[4] but the carriers, believing then that the problems stemmed largely from the lack of divestment of the Western Union Cables Division, urged that course on the Commission rather than an investigation of the Formula at that time. By Order of March 5, 1952, the Commission instituted an investigation to determine what was delaying the divestment of the WU Cable Division (Docket No. 10151, 25 F.C.C. 35), a proceeding which ultimately brought about divestment in 1961 (30 F.C.C. 323). Three years later in November 1964, ITT Worldcom filed its formal complaint with respect to this Formula.

4/ FCC letter dated November 28, 1950, reference 19520, addressed to all interested carriers under the "International Formula"; carrier responses to this letter were filed on February 28, 1951.

Aside from the tortured nature of the "public interest" urged by RCA and WUI, those carriers arguments also must fail for simple inconsistency with the criteria of Section 222 of the Act. Contrary to the impression which RCA and WUI attempt to create, the measure of lawfulness of a given Formula is not solely whether it comports with the public interest. Pursuant to Section 222, a Formula to be lawful must be just, reasonable, equitable and in the public interest. Indeed, from the context in which these criteria are expressed and from the legislative history of Section 222 it appears that the "public interest" criteria is actually subordinate to, or largely defined by the criteria "just, reasonable and equitable."[5] ITT Worldcom has previously shown that the existing Formula produces serious inequities in the distribution of unrouted traffic, inequities which stand unchallenged. In fact, both RCA and WUI have studiously avoided even any reference to the "equitable" criteria from Section 222, as if by ignoring the inequities in the existing Formula, they could somehow "wish away" this monumental flaw in their argument.

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[5] While the criteria for determining whether a given Formula complied with the Congressional objectives was apparently never subjected to serious debate, the limited references to the distribution concept were consistently expressed in terms of such distribution among the international carriers being "fair" and "equitable" . See for example, Report of Senate Hearings on S. 2445, p. 18, 77th Congress, 2nd Session Report of Senate Hearings on S. 2598, p. 25, 77th Congress, 2nd Session Report of Senate Committee on Interstate Commerce to Accompany S. 2598 77th Congress 2nd Session; and Report of Senate Committee on Interstate Commerce pursuant to Senate Resolution 95, pp. 22,25, 77th Congress, 1st Session.

Note should be taken here of WUI's argument that a revision of the Formula and attendant shifting of revenues between carriers might force a carrier losing revenue to propose a rate increase. This position completely ignores the fact that this is a competitive market and that, as a competitive necessity, all carriers will match the lowest rates in the market. It is an economic fact of life that all competing carriers are not uniformly efficient or uniformly successful at marketing their services.

It is not the function of the Formula to divert traffic from a carrier which is more efficient or more successful in the marketplace, or to a less efficient or less successful carrier. Indeed, a revised Formula which complemented the role of competition in the marketplace would provide a strong incentive for a carrier losing traffic (and revenue) to improve its service to the public thereby attracting more traffic and revenue, and/or improving the efficiency or its operation thereby reducing costs. In either case, the public interest would clearly be served.

It should be noted also that ITT Worldcom has already pledged to the Commission to use any increased revenue it may receive from a revision of the Formula to offset potential cost increases from higher landline divisions for Western Union and thus to maintain low rates for a service that does not appear to have substantial growth potential.

II. In arguing for rejection of ITT Worldcom's proposal that WUI's exclusive traffic arrangement at Western Union gateway offices should be terminated, WUI urges that this exclusive arrangement does not constitute a competitive advantage[6] because:

> (1) it must pay a landline charge to Western Union for each gateway message picked up by Western Union while the other IRC's do not pay this charge for messages picked up at their own offices; and
>
> (2) it receives all unrouted international messages filed at Western Union offices at only three locations in Manhattan, while ITT Worldcom maintains 10 offices and RCA Globcom has 14 offices.

As to WUI's first point, that of the landline charge which it must pay for gateway messages, it conveniently ignores the other half of this picture; the IRC's which maintain their own offices incur costs for doing so, which, at least in ITT Worldcom's case, are roughly comparable to the existing Western Union landline charges. Moreover, while WUI may not enjoy a major economic advantage through its exclusive access to Western Union gateway offices, it enjoys a huge competitive advantage by receiving all unrouted international messages filed with Western Union, even though the customers did not intend to have such messages routed via a particular overseas carrier. Of course, that arrangement lends support to the mistaken notion held by many members of the public that WUI and Western Union are affiliated entities.

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[6] It is noted that while WUI claims not to enjoy any advantage from its exclusive privilege at Western Union gateway offices, it certainly does not seem particularly interested in terminating this non-advantageous relationship.

As to WUI's second point, that of 3 Western Union gateway offices to which it has access versus 10 and 14 offices for the other IRC's, it again leaves out an important point. The three Western Union offices to which WUI has exclusive access (for unrouted messages) are consolidated offices providing much broader coverage than the individual offices of the other IRC's, a consolidation which was approved by the Commission as serving the public interest.[7] Because of the consolidated nature of these Western Union offices and the fact of WUI receiving 100 percent of the unrouted international traffic filed at these offices, it is quite likely that WUI is receiving more traffic at these offices than either RCA Globcom or ITT Worldcom[8] receive at their branch offices.

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[7] See *The Western Union Telegraph Co., Consolidation of 22 Public Telegraph Offices,* 37 F.C.C. 2d 813 (1972)

[8] This fact will be confirmed upon receipt of the study presently being conducted by Western Union of all Formula traffic.

Finally, WUI has inferentially suggested the possibility of closing all IRC gateway offices with all international messages being filed through Western Union offices. Under present conditions ITT Worldcom would be very much opposed to such a concept. The level of competition and the quality or range of services to the public would be adversely affected. Even assuming the complete elimination of WUI's exclusivity privilege on unrouted traffic, which it has not conceded, WUI would enjoy an enormous competitive advantage in routed traffic because of its *name association* with Western Union.

III. In its response RCA Globcom has not refuted, nor even addressed, the compelling arguments against its position that it had a compensable right to the accumulated deficiencies associated with its Formula position. Hopefully it has realized the untenable nature of its position and abandoned same. Nevertheless, ITT Worldcom has discovered an inadvertent misstatement in its responsive comments addressed to this RCA position, which it desires to here correct. At page 13 of ITT Worldcom's response, it urged that RCA had acquired no equitable right to compensation for an accumulated deficiency because, *inter alia*, the loss in market shares which it had suffered over the life of the Formula resulted simply from its inability to maintain, in a competitive marketplace, the market share which it had enjoyed in the 1940's. This point was based on the assumption that the large accumulated deficiencies associated with RCA's Formula position must reflect a loss in market share over the life of the Formula, since the Formula was designed to maintain market shares constant. Nevertheless, as a check, which unfortunately was not completed prior to filing the response, an examination of IQB Reports was made to ascertain the overall market share statistics for each carrier at the beginning of Formula operation and for 1973.[9/] These statistics revealed that, even though accumulating very large deficiencies throughout the history of the Formula, RCA had, in fact, enjoyed a substantial gain in its overall share of the international telegraph message market.[10/] This fact not only provides further evidence of the unjustness and unreasonableness of the existing Formula, but

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[9/] It was not practicable to use the statistics for the years prior to 1949 because of two factors: (1) the unsettled conditions during and just following the War which resulted in numerous subareas not receiving any traffic in the early years of the Formula, and (2) RCA did not begin reporting to the IQB, statistics on its gateway, traffic to Areas A and B, which traffic was excluded from the Formula, until 1949.

[10/] In 1949 RCA received 33.39% of the total international gross international tolls (GIT), including schedule B and the RCA gateway traffic to Areas A and B which was excluded from the Formula. In 1973 RCA received 40.05% of the total international GIT's, on the same basis. Also of note, AC&R, with a large accumulated overage, saw a net decline in market share of approximately 3.5 percentage points also completely destroys any claim of equitable right which RCA would make for compensation for "its" deficiencies.

IV. In its responsive comments TRT has largely reversed its original position and now urges as its preferred position that unrouted traffic be distributed equally to all carriers tariffed to serve a particular point, and as a fallback position suggested distribution in proportion to routed traffic with all gateway routed traffic excluded from calculation. While an equal distribution of unrouted traffic among carriers may have some administrative advantage in terms of simplicity, it bears no relationship to logic or to any of the criteria of Section 222 for judging a given Formula. A distribution of unrouted traffic in proportion to routed traffic, as urged by ITT Worldcom, would be far more in keeping with the requirements of the Act and would further provide a clear and positive incentive for improved service as a carrier sought a higher share of routed traffic and concomitantly a larger proportion of unrouted traffic.

If, however, the Commission determines to use an equal distribution of unrouted traffic in revising the Formula, it must limit the carriers participating in the distribution for a given destination to those which have authorized direct circuits to such destinations. To base such a distribution on the simple expedient of a tariff filing would, as was pointed at pp. 14-15 of ITT Worldcom's Response, largely nullify the Commission's determinations as to the appropriate degree of competition required to serve given destinations. It would also provide a substantial windfall to a carrier such as TRT, at the expense of carriers which the Commission has certified to serve particular points directly.

Finally, TRT's proposal that routed gateway traffic picked up by Western Union be excluded from a Formula based on distribution of unrouted in proportion to routed traffic is illogical, without foundation or justification, and should be rejected. Clearly there is no real difference between a routed messages filed with Western Union in a gateway and a routed message filed with that Company in the hinterland, since solicitation of routings is not limited to the gateways and since the charges to the customer are the same.

V. Both RCA Globcom and WUI have, in various correspondence and pleadings in this docket, urged, as a necessary procedural step in this investigation, the holding of an oral evidentiary hearing. An evidentiary hearing in a matter of this kind, where there exist no disputed material issues of fact, would be both unnecessary and wasteful of administrative process. The only purpose which would be served by such an evidentiary hearing would be a further delay in the ultimate resolution of these proceedings, favoring those carriers whose interests are served by the maintenance of *status quo*.

While there may have formerly been some lack of agreement among administrative agencies, and the courts reviewing decisions of such agencies, over whether an evidentiary hearing is required when no material issues of fact are raised, recent cases clearly support the view that neither due process nor a statutory requirement for a "hearing" mandate the holding of an oral evidentiary hearing when there exist no material issues of fact. This principle was illustrated in *Producers Livestock Marketing Ass'n v. United States*[11] where the Court stated:

> "[I]t is fundamental to the law that the submission of evidence is not required to characterize 'a full hearing' where such evidence is immaterial to the

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[11] 241 F. 2d 192, 196 (1957); affirmed 356 U.S. 282 (1958).

> issue to be decided...Where no genuine or material issue of fact is presented the court or administrative body may pass upon the issues of law after according the parties the right of argument." 12/

Similarly, in *Sun Oil Co. v. FPC*,13/ the Court there, rejecting an argument that an evidentiary hearing was necessary, said:

> "[W] e do not think there was any fact question involved and hence no evidence would have been material. If the question was more than a question of administrative policy, and we doubt that it was, it was a question of law."

Numerous other cases are to the same effect.14/ And the Commission itself has recently been upheld in a denial of an evidentiary hearing where the issues involved drawing inference from established facts - *Anti-Defamation*

12/ This point was followed by the D.C. Circuit in several later opinions. See *Persian Gulf Outward Freight Conf. v. Federal Maritime Commission*, 375 F. 2d 335 (1967); *Outward Continental N.P.F. Conf. v. Federal Maritime Commission*, 385 F. 2d 981 (1967); and *City of Los Angeles v. Federal Maritime Commission*, 388 F. 2d 582 (1967).

13/ 256 F. 2d 233, certiorari denied 358 U.S. 872 (1958).

14/ See, for example, *Mississippi River Fuel Corp. v. FPC*, 281 F. 2d 919 (1960), certiorari denied 365 U.S. 827 (1961); *NLRB v. J. R. Simplot Co.*, 322 F. 2d 170 (1963); *Birkenfield v. United States*, 369 F. 2d 491 (1966); *Midstate Hauling Co. v. Mason*, 177 So. 2d 206 (1965); and *NLRB v. Bata Shoe Co.*, 377 F. 2d 821, certiorari denied 389 U.S. 917 (1967).

League of B'nai B'rith v. FCC 403 F. 2d 169 (1968), certiorari denied 394 U.S. 930 (1969).[15/]

A review of the pleadings and other materials heretofore filed in the Formula portion of this docket shows quite clearly that, unlike the companio Landlines case, where a carrier's revenue requirements are at issue, the Formula proceeding presents no disputed issues of fact. Even RCA appears to have largely conceded this point in its Response where, at p. 13, it states that completion of the traffic study presently being conducted by Western Union, with opportunity for comment on that data "would almost, if not entirely eliminate our concerns in this respect".

The Commission should reject arguments seeking an unnecessary evidentiary hearing in this matter and proceed to an expeditious determination of appropriate revisions of the International Formula.

CONCLUSION

ITT Worldcom and other carriers have, throughout the long history of this proceeding, shown beyond dispute that the existing International Formula is unlawful and must be revised. The case for such a revision

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[15/] It is also worthy of note that in the Storer case cited by WUI (U.S. v. Storer Broadcasting Co. 351 U.S. 192 (1956)) in support of its position that a hearing is necessary in this case, the Supreme Court there stated (at 205): "We agree with the Commission that a full hearing...would not be necessary on all such applications... We do not think Congress intended the Commission to waste time on applications that do not state a valid basis for a hearing".

is so compelling that those carriers seeking to preserve their self interest in the *status quo* have been reduced to arguing largely trivial and irrelevant points which must fail when weighed against the important, substantive considerations of law and policy, which favor revision of the Formula.

ITT Worldcom has proposed a revised Formula which would satisfy the statutory criteria, would be in the public interest, and would further the Commission's established policies supporting competitive enterprise. The Commission is respectfully urged to find that revision of the existing Formula is required and that a revised Formula along the lines proposed by ITT Worldcom should be adopted.

Respectfully submitted,

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By

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Dated: September 6, 1974

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I, Carol Conistrati, hereby certify that on this 6th day of September, 1974, I mailed a copy of the foregoing "Reply of ITT World Communications Inc." by United States mail, postage prepaid to the following persons:

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Before the
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Washington, DC 20554

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WASHINGTON

In the Matter of)
)
International Record Carriers' Scope)
of Operations in the Continental United)
States, Including Possible Revisions to)
the Formula Prescribed under Section 222)
of the Communications Act.)
)

Docket 19660
RM-690

REPLY COMMENTS OF TRT TELECOMMUNICATIONS CORPORATION

At the outset, TRT believes that it is desirable to refocus on the essential aspects of this proceeding. Four US international record carriers (IRCs) compete for routed US outbound telegrams via their respective facilities; the remainder of US outbound telegrams are unrouted. What is required, then, is a just, reasonable, and equitable method which serves the public interest for distributing this unrouted traffic among the four IRCS. Because the operating arrangements between each IRC and the Western Union Telegraph Company (WU) are essentially identical, and due to the very nature of unrouted traffic, no IRC should be favored over another IRC in the allocation of unrouted traffic. The existing method for the distribution of unrouted message traffic has been conclusively shown to be unjust, unreasonable and inequitable, and not in the public interest; and it should, therefore, be changed.

With respect to proposed revisions to the Formula, ITT World Communications Inc. (ITT) argues in its August 16 Comments that only routed traffic handled over authorized direct circuits should be used in determining proportionate unrouted traffic to any destination. TRT believes that whether routed traffic is transmitted via direct or indirect circuits is not relevant in the determination of whether an IRC should be allowed to transmit unrouted traffic to any particular point. An IRC serving a destination on an indirect basis competes for routed traffic to that destination in the same manner as it competes for traffic to destinations it serves on a direct basis. Moreover, there are a number of destinations which all carriers serve only on an indirect basis. Consequently, to the extent customers express a preference for a particular carrier, and as an IRC is thus successful in obtaining routed traffic, that carrier should receive a share of unrouted traffic. To do otherwise would ignore the competitive situation among the IRCs and would unjustly favor some because of their more favored route structure. This would be particularly unfair to TRT.

In its August 16 Comments, ITT also suggests some confusion in interpreting TRT's position regarding the impact of gateway traffic on the distribution of unrouted traffic. TRT has suggested that all routed traffic handled by WU and transferred to the IRCs should be used in any formula for determining the allocation of unrouted traffic to each destination.

Had there been any flaws in the concept and operation of the formula, they would have been as apparent after 17 years of operation as after 30 years." (WUI Comments, Aug. 16, p. 4) However, the Commission's reason for not changing the Formula at the divestment proceeding was not as WUI asserts. The Commission stated in its November 26, 1973, Memorandum Opinion & Order:

> "In that proceeding we did approve amendments to the formula to reflect the fact that thereafter WUI (the divested WU Cable Division) would be an independent IRC with no connection to WU. However, since we noted that we had not been asked to overhaul the basic structure of the formula, we left that question to an appropriate proceeding." (p. 12)

Moreover, WUI overlooks the fact that ITT, a short three years after the divestment, did ask the Commission to review the Formula, pointing out the many inequities in the Formula.

CONCLUSION

TRT submits that the Formula should be expeditiously [illegible]sed in accordance with the suggestions it has previously advanced.

Respectfully submitted,

TRT TELECOMMUNICATIONS CORPORATION

BY J. Robert Moman
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September 6, 1974

CERTIFICATE OF SERVICE

I, Pamela Marie DuBost, hereby certify that I have sent the foregoing Reply Comments of TRT Telecommunications Corporation this 6th day of September 1974 to the following by United States mail, postage prepaid.

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

RECEIVED

SEP - 9 1974

COUNSEL
WASHINGTON

In the Matter of)
)
International Record Carriers' Scope of)
Operations in the Continental United)
States, Including Possible Revision to)
the Formula prescribed under Section 222)
of the Communications Act)

Docket No. 19660
RM-690

REPLY

The Western Union Telegraph Company (Western Union) herein files its Reply to the responsive comments of ITT World Communications, Inc. (ITT), RCA Global Communications, Inc. (RCA Globcom), Western Union International, Inc. (WUI), and TRT Telecommunications, Inc. (TRT). In support thereof, Western Union respectfully shows as follows.

In its previous comments, Western Union has suggested that, at the minimum, a separate entity solely responsive to the international record carriers be formed to handle the distribution of unrouted message traffic. So far, no carrier has commented on this proposal, either pro or con. The only references made to Western Union's participation in this enterprise is to state what a good job we are doing and that all costs are borne by the international carriers.

No carrier has even responded to Western Union's call for simplification of the formula. As stated by ITT in its Response, "[a]dministrative simplification of the Formula as urged by Western Union is a desirable goal but specific approaches may be unattainable or undesirable" (p. 17). Thus, if Western Union is to continue to distribute unrouted traffic, it appears that, at least as far as ITT is concerned, even administrative simplification is unlikely at the present time. Again, there appears to be no reason why Western Union must continue to play an active role in the distribution of unrouted messages.

Illustrative of the problems confronted by Western Union is a recent letter, dated July 30, 1974, of the International Quota Bureau directing that the distribution of cable traffic to Columbia, previously exclusively allocated to TRT, must now be divided between TRT, ITT (AC&R), and RCA. Since our computer has been programmed to automatically route Columbian traffic exclusively through TRT, the computer program must be altered and our Minneapolis operation must now manually allocate the traffic in accordance with the July 30 letter. Additionally, new facilities must be established between Minneapolis and the TRT operating center in Pearl River, Louisiana. As a result of this change, additional cost is being incurred by Western Union, and it is unlikely these costs will ever be recovered from the international record carriers. In addition, Western Union's personnel must devote their time to ensure the continued operation of the formula. This is but one example of the burden Western Union must assume in order to facilitate the distribution of unrouted messages.

Accordingly, we therefore urge the Commission to establish an entity completely controlled by the international carriers to distribute unrouted messages.

Respectfully submitted,

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I hereby certify that I have this day served a copy of the foregoing document, filed with the Federal Communications Commission on behalf of The Western Union Telegraph Company, by United States mail, first class postage prepaid, on the following:

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Dated: September 6, 1974

WORKING DRAFT

POLICY RESEARCH ESTIMATE

Prepared For

OFFICE OF TELECOMMUNICATIONS POLICY

"The International Formula For The Distribution of Unrouted Telegraph Messages"

June 2,1975

Prepared By:

John W. Kopinski

Policy Support Division papers consist of policy research estimates (PRE) and policy option formulations (POF). These papers result from a continuing effort to maintain total awareness of activities of interest to, or affecting, telecommunications, and to explore all alternatives to present and contemplate systems and issues. They are reproduced to stimulate discussion of new ideas, to provide data, or to supply background information about various topics related to telecommunications and telecommunications policy. They do not necessarily represent completed studies or official positions, either of the authors, the Policy Support Division, the Office of Telecommunications, Department of Commerce, or the Office of Telecommunications Policy. Instead they are working papers representing the current views of the responsible research team leaders preparing them.

INTRODUCTION

The method established for the distribution of unrouted outbound international telegraph traffic is known as the International Formula. This formula is in accordance with Section 222(e)(1) of the Communications Act of 1934 as amended March 6, 1943, and became effective once the merger between the Western Union Telegraph Company and Postal Telegraph, Inc., created a single domestic telegraph carrier in the U.S. The formula, as presently in use, was approved by the FCC on September 27, 1943, in accordance to the Amendment.

Section 222(e)(1) reads:

> In the case of any consolidation or merger of telegraph carriers pursuant to this section, the consolidated or merged carrier shall... distribute among the international telegraph carriers telegraph traffic by wire or radio destined to points without the continental United States, and divide the charges for such traffic, in accordance with such just, reasonable, and equitable formula in the public interest as the interested carriers shall agree upon and the Commission shall approve...

On November 25, 1964; ITT Worldcom filed a complaint with the Commission that the formula had ceased to function in the public interest, discouraged competition, and was causing inequitable and unjust distribution of unrouted traffic. When the Commission adopted a Notice of Inquiry and Proposed

Rulemaking in Docket No. 19960 (December 13, 1972), it proposed a general inquiry into the international record carriers' scope of operations in the continental United States, including the ITT Worldcom complaint against the formula. All interested parties were requested to update their 1964 comments to ITT's formula complaint and by its Order of November 26, 1973, the Commission set the formula for investigation.

In January 1974, RCA Globcom and Western Union International proposed a study of unrouted traffic presently received by each carrier. They maintained that such a study was necessary in order to establish a data base which could be used in the proceeding to determine the effects on each of the IRC's, (i.e. on the IRC who stood to lose traffic, and on the IRC who stood to gain traffic). ITT, however, felt that this would only delay the proceeding, and asked instead that the Commission proceed on the basis of existing information.

The Commission in its Order of June 10, 1974 determined that a traffic study should be conducted, but coinciding with the investigation so as not to cause further delay in the investigation of the formula. The study was conducted for thirteen consecutive weeks beginning December 1, 1974 through March 1, 1975, with the results furnished in early May.

This paper will deal with the workings of the formula, present the record carriers' comments in Docket 19660, analyze and summarize the results of the traffic study, formulate alternatives, and make recommendations.

THE INTERNATIONAL FORMULA

Basically, the formula prescribes the distribution of telegraph traffic handled by the Western Union Telegraph Company, that is, all outbound international telegrams not filed with the international record carriers (IRC's) at their gateway offices (New York, San Francisco, Washington, D.C. and for TRT only New Orleans and Miami). All messages received by Western Union are one of two types: routed or unrouted. Routed messages are those in which the customer specifies the IRC.

The formula provides that all routed messages be turned over to the IRC so indicated by the sender and that the unrouted messages (in each category of telegram) be distributed,

> so that each international carrier entitled to a quota in such category will receive a volume of such unrouted messages which, together with [specifically routed messages and messages picked up directly by each international carrier], will give it a percentage, equal to its quota in such category, of the gross international tolls

on all messages in such category.[1]

The term "quota" should be read as the ratio of the total number of outbound messages handled by each IRC during the base year 1942, (or the first full year of normal traffic operations to a route prior to World War II), to the total number of outbound messages in 1942 (or as adjusted).

Three areas, each with sub-areas were established as destinations, and each carrier has a separate quota for each sub-area serviced. The geographical areas are:

Area "A" - Atlantic

Sub-areas

- United Kingdom & Eire
- Continental Europe
- Beyond the Continent

Area "B" - Latin America

Sub-areas

- Bermuda, Bahamas & the West Indies (other than Cuba)
- Cuba
- Central America
- South America

---

[1] Formula, pursuant to Section 222(e)(1) of Communication Act of 1934 as amended through September 30, 1963; page 8.

Area "C" - Pacific

Sub-areas
- Hawaii
- Midway & Guam

- Australasia

- Remainder of the Far East

Not only were quotas established for each destination sub-area listed above, but in addition, separate quotas were assigned for unrouted hinterland traffic and unrouted gateway traffic; and within each of the 2 origins by category of message.

The important point to be recognized, is that any given IRC is allocated its quota as a percentage of the gross international tolls for a particular sub-area and category of traffic (letter, urgent, ordinary, etc.) equal to the percentage established by its base period traffic, and that both routed and unrouted traffic received by the IRC is charged against its quota.

OTHER IMPORTANT ASPECTS OF THE FORMULA

The formula calls for the supervision of the operations of the formula under a committee of representatives of the IRC's. A staff created by this committee, known as the International Quota

Bureau (IQB) is charged with the duties of administering the formula. The IQB staff calculates the actual percentage of traffic, both routed and unrouted, for each carrier over a certain period and compares these figures against each carrier's quota. The IQB records an "overage" in gross international tolls equal to the difference between tolls reported and the calculated tolls allowable based on the quota, when a carrier receives more total traffic than its quota allows. A "deficiency" occurs when the routed and unrouted traffic turned over to a carrier is not enough to satisfy its quota. It should be noted that the revisions are made based on past year's traffic figures issued to WUT for implementation, and maintained until the next revision. There is noother way quotas can be adjusted.

These overages and deficiencies are possible because the formula honors the carriers' rights to routed traffic, although the quotas are calculated on the basis of total unrouted and routed traffic. The IQB, meanwhile, is required to attempt to eliminate these discrepancies, and therefore adjust the quotas per destination sub-areas where required. It should be noted that these attempts have not cleared the imbalances, and sizable overages and deficiences exist for certain IRC's today.

In addition to the working provision of the formula provided above, there is one other topic which is worthwhile to mention. The formula establishes certain Western Union Telegraph offices in New York City, San Francisco, and Washington, D.C. as Western Union International offices, and therefore any unrouted messages filed at these offices become automatically routed to WUI. In eliminating the expense of building offices, the FCC felt that WUI could become a viable competitor sooner. This action provides for ITT, RCA, and WUI having one operating office each in San Francisco and Washington, D.C.; while in New York City RCA has 14 offices, ITT maintains 10 offices, and WUI has 3 "designated" offices in New York.

THE FORMULA AND CARRIER'S COMMENTS IN DOCKET 19660

In its docket, the Commission has ordered the carriers to address four questions in the investigation.

> (1) The exact manner in which the distribution of traffic is presently being made, broken down by carrier, category of traffic, and areas and sub-areas.

(2) The nature, extent and reason for the existing overages and deficiencies in assigned quotas.

(3) The present defects in the formula, and the effect of each on the respondent and the other IRC's, and on the quality of service provided to and the rates charged the public.

(4) The specific amendments which should be made to the formula, and the effect each amendment would have as in (3) above.

The survey mentioned earlier, conducted by WUT, is a direct result of the first issue. The survey is a study of outbound message traffic and its purpose is to determine the exact manner in which the distribution of the traffic is being effected. For a general view of how traffic is distributed by WUT to the IRC's, see Appendix 1, which is a chart of IQB instructions to WUT on this matter.

The task of the survey then, is to equate actual number of telegrams to the IQB instructions. As mentined earlier, the sample study was conducted for 13 weeks, yielding one-quarter year actual data. The actual thirteen week totals (Dec. 1, 1974-March 1, 1975) are shown in Table 1. This table is an attempt to summarize the data in terms of pre-routed, unrouted non-exclusive traffic handled by Western Union Telegraph from the gateway cities and hinterland points.

TABLE 1

THIRTEEN WEEK CUMULATIVE TOTALS (Dec. 1, '74 - Mar. 1, '75)

WESTERN UNION STUDY - DOCKET 19660
(INCLUDES MARINE)

	TOTALS	ITT	RCA	WUI	TRT	USLR	FC
PRE-ROUTED							
Gateway	20,131	2,654	646	15,403	1,397	27	4
Hinterland	190,826	66,817	63,740	50,375	9,393	2	499
Total	210,957	69,471	64,386	65,778	10,790	29	503
UNROUTED EXCLUSIVE:							
Gateway	2,903	187	1,731	951	20	14	-
Hinterland	429,651	21,309	254,050	149,026	3,821	1,445	-
Total	432,554	21,496	255,781	149,977	3,841	1,459	-
UNROUTED NON-EXCLUSIVE:							
Gateway	2,429						OTHER
Hinterland	257,313						
Total	259,742	57,013	77,557	108,442	6,140	-0-	5,303
ROUTED VIA WUT TO WUI FROM GATEWAY OFFICES SO DESIGNATED:	903,253 8,003						
	895,250						
TOTALS							
GATEWAY	25,463	2841					
HINTERLAND	877,790	88126					
TOTAL	903,253	147,980	397724	324,197	20771	1488	580

TABLE 1 - NOTES

1) Hinterland totals include those message telegrams filed by customers physically located in a gateway city but using either the WUT central telephone bureau in Moorestown, New Jersey, the telex manual switching center in Greensboro, North Carolina, or the automatic telex switching center in Moorestown, New Jersey. Moreover, the sample was designed to identify such traffic, i.e., how many telegrams which the IRC's consider gateway originated, are being sent by WUT as hinterland points. This issue may evolve into another point of contention in the docket, but will only be examined here with reference to the international formula.

2) The sample does not include a breakout of unrouted non-exclusive messages by carrier by point of origination (gateway or hinterland).

3) The carrier totals for unrouted exclusive traffic does not sum to the grand total for this category.

4) "Other" refers to Canadian common carriers and WUT.

5) The study includes only traffic filed through WUT offices or networks. To determine total traffic routed and unrouted one must estimate the number of messages handled directly by the IRC's.

With regard to the second issue, the IQB has submitted to the Commission voluminous data concerning overages and deficiencies for each of the last 10 years, for each sub-area, and for each carrier.

With the exception of RCA Globcom, the IRC's basically agree that these overages and deficiencies exist only on paper. Neither represents money owed by one carrier to another but simply reflects the operation of the formula. ITT and TRT assert that these are drawbacks to the formula - that they are results of futile attempts to adjust unrouted messages on the basis of total routed and unrouted messages. They contend that when all specifically routed traffic is guaranteed to the so chosen IRC, nothing guarantees that this traffic in and of itself won't exceed their quota. Therefore, as the IQB shuffles the quotas on unrouted traffic to compensate, the imbalances do not stop, but grow even larger. Both ITT and TRT see these statistics as another reason to prescribe a new formula, and that these imbalances can simply be retired. WUI while agreeing that these imbalances are meaningless, feels they do not interfere "with an operation that has proved satisfactory over the years."

RCA, however, contends "that the accumulated overages and deficiencies represent a lawful obligation which may not equitably or legally be voided without the consent of all parties." If any change is made in the formula, RCA feels the change must reflect these imbalances or be the result of a compromise solution with some other benefits accruing to RCA.

The third issue which the carriers were asked to discuss concerns the present defects in the formula. Both ITT and TRT assert that the formula has built-in disincentives. For instance, if a carrier receives routed traffic in excess of its historical share, the formula acts to take away unrouted traffic in trying to preserve quota balance.

They argue that the formula operates to preserve the market share of the IRC's as they were in 1942, and as such cannot be found to serve the public interest, and is also contrary to the Commission's policies encouraging competition. Furthermore, while relative market shares have changed since 1942, (due to competition in the quality of service and public relations), those carriers with improved market shares are in effect penalized for their successes by being denied unrouted traffic. Conversely, IRC's who have not improved market shares find themselves in a position of receiving additional unrouted traffic to compensate.

In reply, RCA and WUI contend that any revision of the formula which would create an incentive, i.e., greater routed traffic yields a carrier greater unrouted traffic, is wasteful. It would lead carriers to increase selling costs and related expenses, while it would not increase the quality of service or the quantity of messages. Any benefits to be derived from competition are already being realized and these "incentives" would not bring about a rate reduction. Moreover, they contend that facilities would be duplicated at no public benefit. In the very least, carriers which lost traffic under any revision of the formula would have idle facilities, and those which gained traffic would need more facilities. In reply, ITT contends that physical plant for telegraphy which consists largely of switching facilities (computer) and outgoing circuits are largely independent of the volume handled within fairly wide limits. For example, one 50 baud channel per country for telegraph is an irreducible minimum in a majority of routes, and any change in volume of traffic would have little effect.

Finally, the Commission has asked those parties wanting to change the formula, for specific amendments which should be made. Rather than canvas in detail the proposed changes of both ITT and TRT, a brief outline is offered.

(1) ITT proposed that unrouted traffic be allocated in proportion to routed traffic handled by an IRC on a country-by-country basis where carriers are authorized to provide direct service. The TRT proposal is similar but allocates unrouted traffic in proportion to routed traffic regardless of direct or indirect service.

(2) TRT proposes that gateway routed traffic be excluded from the total routed traffic for purposes of allocating unrouted traffic. While ITT does not agree with this proposal, it will agree to exclude self-generated traffic (traffic filed at the IRC offices) in the gateway, but not routed traffic from Western Union.

(3) Administrative aspects of the "new" formula are also discussed. ITT suggests that new allocations based on routed traffic be established every six months of each year, using as a base period the parallel six month period for the previous calendar year.

(4) TRT asks that the International Quota Bureau be dissolved.

(5) Both ITT and TRT ask that Schedule B[2] be abolished, and not incorporated into any new formula.

(6) Both ITT and TRT ask that provisions which make WU offices WUI offices in the gateway cities, be abolished.

Finally, the principle position of the Western Union Telegraph Company is if the quota/formula system cannot be eliminated, Western Union be permitted to withdraw from the handling and distributing of unrouted telegrams. With regard to ITT's suggested revisions, WUT asks the Commission to consider fully how any new formula would affect the efficiency of their automatic operations and whether it would be compatible with their existing programs.

---

[2] Schedule B is an extension of a contract between RCA and WU before the formula agreement in 1943, carried over today between RCA and WUI. It provides for the transfer of 60.5% of WUI's traffic under the formula for the sub-areas of continental Europe and beyond the continent to RCA.

While TRT advocates incorporating a new formula into WUT's software programs, WUT argues that this would not necessarily be an easy task and that manual processing would continue to be necessary.

In summary, WUT's basic position is that the IRC's should tackle the operations of distributing unrouted messages among themselves with WUT simply turning over all unrouted messages to an instrumentality of the IRC's created for that purpose. All of the foregoing assumes that an "all routed" recommendation of WUT is not adopted by the Commission.

Analysis

For the past five years, international message telegram service has been a somewhat stagnant service. It does not have the dynamic growth of telex, neither is it as important as alternate/voice data service in terms of circuits. Still, outbound messages total some 9 million (excluding transit) and produce $20 million revenues annually for the IRC's. Requiring only a 50 baud channel, it is an extremely profitable service for the IRC's as costs are minimal. The International Formula is an ongoing fixture in distributing industry revenues in this service to the particular IRC's. In fact, when one projects the results of the WUT study to full one-year estimates, roughly 2.8 million messages are filed unrouted and distributed according to formula requisites.

Moreover, there is probably some credibility in the contention that inbound messages and resulting revenues are to a degree sent via a particular IRC simply because that IRC had handled the outbound message. Sweden formally asks the FCC for this specific information annually. It is in such a case where the distributive effects of the formula are magnified.

The Federal Communications Commission compiles a "Market Analysis" of traffic from the annual traffic reports of the IRC's. The numbers presented below for the United Kingdom and India might serve to illustrate that the formula is instrumental within the industry. The percentages are computed on total traffic (routed and unrouted).

The WUT survey creates a way to determine the volume of unrouted messages, and to show the impact of the international formula for these two routes.

UNITED KINGDOM

WUI receives all unrouted traffic to the U.K. for both gateway and hinterland. If 1973 message and revenue totals for the U.K. are examined for outbound telegraphy, the results are:

	Messages	Revenues
Actual	753,815	$2,794,958
ITT%	15.49	17.89
RCA%	13.92	15.51
WUI%	66.40	63.79
FC%	3.86	2.39
TRT%	.33	.42

WUI handled 500,533 outbound telegrams in 1973 to the U.K. Projecting sample estimates to a full year and assuming 1974 traffic approximates 1973 traffic; 325,192 of those messages were handled by WUI because of the formula quota or 64.97% of the WUI total.

This would mean that of the 500,533 messages, 175,341 messages would have been specifically routed by customers to WUI or 23.26% of the industry's route total. The figures shown above for the other IRC's are by definition pre-routed only.

When oneconsiders only routed traffic, the United Kingdom route is a competitive route among the IRC's. However, once the formula is applied to the unrouted messages, 2/3 thirds of all traffic is handled by WUI.

INDIA

RCA receives all unrouted traffic to India
for both gateway and hinterland.

Actual	Messages 324,693	Revenues $778,795
%ITT	22.94	13.68
%RCA	62.38	67.85
%WUI	14.68	18.45

RCA handled 202,543 outbound telegrams in 1973 to India. Projecting sample estimates to a full year and assuming 1974 traffic approximates 1973 traffic; 137,344 of those messages were handled by RCA because of the formula quota or 67.81% of the RCA total.

This means that of the 202,543 messages, only 65,199 messages were specifically routed by customers to RCA or 20.08% of the industry's routed total. The figures shown above for the other IRC's are by definition pre-routed only. This specific case illustrates that while ITT handled more direct routed messages to India than RCA, RCA had 62.4% of the market to India.

Other routes were chosen to illustrate the breakout of routed and unrouted messages for each carrier as it exists under the formula. This data is presented in Table 2. It is readily apparent that there is no logical or systematic distribution of traffic under the formula. Some carriers have many destinations where they receive all traffic. Others have relatively few. High volumes of routed traffic do not translate into high volumes of unrouted traffic. Back in 1943, when the formula was established, quotas were assigned based on the amount of traffic handled the previous year. The original effect then was to distribute traffic based on

TABLE 2

EXAMPLE OF DISTRIBUTION OF MESSAGES (1973 = 1974 = SAMPLE)

	ITT			RCA			WUI			TRT		
COUNTRY	TOTAL	ROUTED	UNROUTED	TOTAL	ROUTED	UNROUTED	TOTAL	ROUTED	UNROUTED	TOTAL	ROUTED	UNROUTED
FRANCE	70,453	39,173	31,280	52,307	44,915	7,392	138,309	69,493	68,816	933	933	0
GERMANY	55,478	4,626	50,962	57,959	40,295	17,664	220,606	128,946	91,660	1,172	1,173	0
ITALY	66,950	44,546	22,404	64,151	64,151	0	212,870	116,858	96,012	1,554	1,554	0
UNITED KINGDOM	116,766	116,766	0	104,931	104,931	0	500,533	175,343	325,192	2,487	2,487	0
SALVADOR	22,421	13,309	9,112	8,561	8,561	0	4,770	4,770	0	5,408	5,408	0
BRAZIL	103,351	103,351	0	57,888	57,888	0	101,392	45,968	55,424	13,412	13,412	0
BAHAMAS	9,719	9,719	0	0	0	0	7,465	7,465	0	32,349	20,589	11,760
HAWAII	20,060	10,148	9,912	101,466	57,886	43,580	15,206	-	-	-	-	-
INDIA	74,484	74,484	0	202,543	65,199	137,344	47,664	0	-	-	-	-
PUERTO RICO	44,912	19,440	25,472	25,616	25,616	0	81,483	51,111	30,372	8,373	8,373	0
JAPAN	105,291	105,291	0	252,241	151,507	100,908	47,259	47,259	0	-	-	-
SPAIN	38,467	38,467	0	96,216	50,448	45,768	26,218	26,218	0	3,049	3,049	0
PHILIPPINES	77,574	67,102	10,472	98,676	19,968	78,708	22,215	22,215	0	238	238	0

NOTE:

(1) Current distribution of unrouted traffic for each IRC to the above destinations is listed in Appendix I.

(2) Routed traffic is estimated by calculating yearly total of unrouted traffic from WUT study and subtracting this amount from total 1973 traffic each IRC handled to that particular destination.

the amount of traffic handled the previous year. The over-riding concern was to distribute traffic based on percentage of volume. If this reasoning is accepted then to maintain the formula today is highly illogical inequitable and unjust, for the basic reason that this original effect has been destroyed by time. The preceeding examples on the UK and India, and the examples of Table 2 affirm this conclusion.

Current Problems with the Formula

1) Examination of Appendix 1 (Merged Company distribution percentages) reveals a sectionalization of the globe for the IRC's by the international formula.

- RCA receives virtually all unrouted traffic to Near East, Africa, Asia and the Pacific Basin.
- WUI receives virtually all unrouted traffic to South America and majority of such traffic to Europe.
- ITT receives virtually all unrouted traffic to Central America.
- TRT receives virtually all unrouted traffic to the Bahamas, Belize, and Colombia.
- USLR receives all unrouted traffic to Liberia.

Perhaps the IRC's saw themselves as carriers to only a certain part of the world in 1943. For the formula, as it exists, to be a good tool in distributing traffic the carriers would have to revert back to serving only those parts of the world. Today's industry,

however, sees the IRC's serving the public in all parts of the world, and because of this the sectional stranglehold that the formula advances is frivolous, obsolete and unjust, and contrary to the concept of competition.

2) The international formula is much more complex than it need be. Again see Appendix 1, notes "a" through "g". More specifically, separate quota allotments for gateway and hinterland originations appear unwarranted. Of the 2.8 million unrouted messages only 20 thousand originated in the gateway cities. To maintain a separate quota for this traffic is unjustified.

3) Schedule B - While Schedule B represents a contract between RCA and WUI, whereby RCA receives 60.5% of WUI's unrouted traffic to Continental Europe and beyond, it does not belong in any formula the Commission prescribes (past or future). That is, it is up to these two carriers to distribute the traffic between themselves. Having WUT apportion and distribute this traffic as part of the formula puts WUT in a position it should be fully compensated for.

Possible Alternatives

The three possible alternatives relevant to this issue on the international formula are:

1. Find that the formula continues to operate in the public interest.

2. Make substantive changes in the existing formula, i.e. change the base year, establish new quotas, change position on WUI/WU offices, abolish Schedule B, establish quotas based on each preceeding year, etc.

3. Abolish the present formula and require that all messages be specifically routed by the sender.

Tables 3, 4 and 5 offer summarized data constructed from the WUT study. The key assumption used in formulating this data is that 1973 traffic (1974 annual reports are not available until mid-June '75) equals full year traffic compiled from the study. Industry total traffic less industry unrouted traffic then yields industry routed traffic. This data will facilitate the analysis of the preceeding alternative solutions.

Proposals

It cannot be found that the existing formula continues to operate in the public interest, whatever the intentions were in 1943. Throughout this report, many aspects of the formula have been shown to be unjust, unreasonable and inequitable. To continue with this formula is a solution which is totally unacceptable. In fact, maintaining this formula raises serious antitrust questions.

TABLE 3

FULL YEAR ESTIMATE OF OUTBOUND INTERNATIONAL TELEGRAPHY BY TYPE, BY CARRIER, BY ORIGINATION (DERIVED FROM WUT STUDY IN DOCKET 19660; 1973 = 1974)

	TOTALS	ITT	RCA	WUI	TRT	USLR	FTC		
A. HANDLED BY WUT:									
PRE-ROUTED:									
Gateway	80,524 ✓	10,616	2,584	61,612	5,588	108	16		
Hinterland	763,304 ✓	267,268	254,960	201,500	37,572	8	1,996		
Totals	843,828 ✓	277,884	257,544	263,112	43,160	116	2,012		
UNROUTED EXCLUSIVE:									
Gateway	11,612	748	6,924	3,804	80	56	-0-		
Hinterland	1,718,604	85,236	1,016,200	596,104	15,284	5,780	-0-		
Totals	1,730,216	85,984	1,023,124	599,908	15,364	5,836	-0-		
UNROUTED NON-EXCLUSIVE:									
Gateway	9,716								
Hinterland	1,029,252							21,212-Other	
Totals	1,038,968	228,052	310,228	433,768	24,560	-0-	-0-	21,148- Sample error	
ROUTED WUI via WUT (Gateway Office Ruling)	32,012								
B. SELF-ORIGINATING:									
TOTALS (IRC traffic)	5,026,338	1,679,085	1,704,197	1,334,281	253,752	2,974	66,800	27,609	(WUT
GRAND TOTALS	8,639,350	2,271,005	3,295,093	2,631,069	336,836	8,926	68,812	27,609	(WU

NOTES: By adding UNROUTED EXCLUSIVE and UNROUTED NON-EXCLUSIVE, the total number of unrouted messages for the industry and each IRC can be found. By adding PRE-ROUTED HANDLED BY WUT and SELF-ORIGINATING, the total number of routed messages for the industry and each IRC can be found.

TABLE 4

(OUTBOUND TELEGRAMS EXCLUDING TRANSIT)

SUMMARY OF ESTIMATED ROUTED AND UNROUTED TRAFFIC
(1973 = 1974)

CARRIER:	TOTAL ROUTED	TOTAL UNROUTED	GRAND TOTAL
ITT	1,956,969	314,036	2,271,005
RCA	1,961,741	1,333,352	3,295,093
WUI	1,597,393	1,033,676	2,631,069
TRT	296,912	39,924	336,836
USLR	3,090	5,836	8,926
FTC	68,812	-	68,812
WUT	27,609	-	27,609
(OTHER + ERROR)	-	42,360*	*
INDUSTRY	5,912,526	2,769,184	8,639,350

---

*Not incorporated in FCC totals; of the 42,360 total, 21,212 represents traffic handled by Canadian carriers and 21,148 represents error in WUT sample study. If included in grand total, industry routed plus industry unrouted would equal industry grand total including that sum.

TABLE 5

(1973 = 1974)

PERCENTAGE SUMMARY OF ESTIMATED ROUTED AND UNROUTED OUTBOUND TELEGRAPH MESSAGES

CARRIER	% INDUSTRY ROUTED	% INDUSTRY UNROUTED
ITT	33.66%	11.54%
RCA	33.75%	49.00%
WUI	27.48%	37.99%
TRT	5.11%	1.47%

INDUSTRY INCLUDES ITT, RCA, WUI, AND TRT ONLY

100% Routed = 5,813,015
100% Unrouted = 2,720,988

The second alternative is to make substantive changes in the existing formula. Other than providing for an arbitrary mechanical distribution of traffic, there are practically no other merits to be found in the current approach. Any changes which should be made would be so exhaustive, that the new formula would not resemble the existing system in any case. For this reason, this approach to the second alternative is also rejected.

Another approach under the second alternative is to create a new formula. Basically, unrouted messages would be routed to the IRC's on the basis of routed traffic. The major aspects of this approach are:

1) Distribution would be on a country by country basis with quotas based on preceding years' proportion of routed traffic.

2) There would be no distinction for gateway or hinterland origination.

3) Schedule B would be abolished.

4) WUT offces designated as WUI offices would be phased out and replaced by WUI offices.

5) A system would be devised by the IRC's to account for routed and unrouted messages.

6) WUT would continue to distribute unrouted traffic fully compensated by the IRC's.

Table 6 presents the relative impact of the new formula versus the existing system. Both RCA and WUI would lose unrouted volume while ITT and

TABLE 6

ESTIMATED DISTRIBUTION OF UNROUTED TRAFFIC AT PERCENTAGE OF ROUTED TRAFFIC

CARRIER	CURRENT AMOUNT OF UNROUTED	PROPOSED AMOUNT OF UNROUTED	(Messages) NET CHANGE	(Revenues) NET CHANGE
ITT	314,036	915,884	+601,848	$1,395,570
RCA	1,333,352	918,333	-415,019	-962,844
WUI	1,033,676	747,728	-285,948	-633,400
TRT	39,924	139,042	+099,118	+229,954

NOTES:

1) 1973 average net revenue per message = $2.32.

2) FULL YEAR DATA PROVIDED IN THIS TABLE IS CONSTRUCTED FROM WUT 13 WEEK SAMPLE.

TRT would both gain. (USLR might continue to receive unrouted traffic to Liberia, but only in proportion to its routed traffic.)

Of the 2.8 million unrouted messages, roughly 25% or 701,000 would be redistributed. RCA and WUI combined would lose $1.6 million in revenues with $1.4 million going to ITT and $.2 million to TRT. Overages and deficiencies recorded under the existing formula would be retired and would not affect revenues in any way. Revenues for the subsequent years after this formula was initiated would depend on the carriers' ability to capture the unrouted market. This is but one suggestion on how a "formula" might be devised.

While this approach appears to be more equitable and just for the IRC's, it still is a contrived solution to the problem of unrouted messages. The basic objections to this approach are:

1) There would still be an arbitrary allocation of unrouted traffic.

2) Administrative costs would still be present, and might even rise because both routed and unrouted would have to be accounted for.

3) There would still be government participation in a "quota" system.

4) It is not a true competitive solution.

The third alternative is to require that all outbound telegraph messages be specifically routed by

the sender, thereby abolishing the need for any kind of formula. Indeed, this approach is consistent with competition and provides a realistic solution to this problem. It is difficult to understand how steps in this direction have not been taken over the past thirty years. In 1943 there was some fear that the large volume of unrouted messages would be routed by WUT unequally without some kind of formula. Today, because of WUT's divestiture of its overseas operations in 1963, no such fear exists. In addition, just 30% of the industry's total telegraph traffic consists of unrouted messages. The fact that all telex messages are routed in the U.S., further advances the case for an all routed system of telegraphy. After thirty years of a quota system and its associated problems and cost, it should be evident that an arbitrary allocation of the market is unwarranted. Today the retirement of the unrouted message means the retirement of this allocated market system, and makes this part of the industry as competitive as telex and private lease.

To put the problem in a different light, the continuation of the formula concept will have limited financial impact on the IRC's. If any of the IRC's lost all of their unrouted traffic tomorrow, none of the them would incur significant financial harm. An estimated

$6.5 million (from WUT sample) of the industry's $234.5 million (1973 actual totals) in public services are generated by unrouted messages. An all-routed proposal would probably yield a distribution of the formerly unrouted traffic along the lines of past years' routed traffic, thereby just redistributing the $6.5 million among the IRC's.

Finally, all of the proposals advanced for changing the formula, i.e., new base year, for direct or indirect routes, Schedule B, etc., would become moot points under an all routed system.

It is recognized that there may be justifiable problems in moving to an all routed system of messages. An interim period not to exceed 3 years may be warranted. In this time period the present system can be continued (alternative 1) or one of the means under alternative 2 could be employed, provided the cost of such changes could be justified over this short period of time.

In any case, an all routed system of telegram messages is advocated for the U.S. as soon as possible.

APPENDIX 1

CHART OF MERGED COMPANY DISTRIBUTION PERCENTAGES AS OF AUGUST 1, 1974

DISTRIBUTION OF OUTBOUND UNROUTED TRAFFIC PROVIDED FOR IN INTERNATIONAL INSTRUCTIONS ISSUED BY THE MERGED COMPANY

		NY-SF-WN ORIGINS									HINTERLAND ORIGINS								
AREA	SUB-AREA	ACR	CNT	CPR	GW	RCO	RCB	TRT	USL	WUI	ACR	CNT	CPR	GW	RCO	RCB	TRT	USL	WUI
A.	United Kingdom & Eire									ALL a/									ALL
	Continental Europe						ALL a/			b/					1 c/	9 c/			
	Beyond the Continent						ALL a/			b/					1	7 b/			b/
	Liberia								ALL									ALL	
	Canadian Transit Tfc.		d/	d/								d/	d/						
	Austria									ALL									ALL
	Belgium									ALL					6				2
	France	ALL									3				2				10
	Germany									ALL	3				2				5
	Holland									ALL					6				2
	Italy									ALL	3								6
	Norway									ALL					9				1
	Czechoslovakia									ALL					2				1
	Denmark									*ALL	ALL								
	Greece									ALL					2				6
	Hungary	ALL									9				1				
	Poland & Danzig	ALL													ALL				
	Roumania	ALL													ALL				
	Yugoslavia									ALL					6				4
	Gr.3 (AL,BU,ES-LA-LI,LX)									ALL									ALL
B	Bahamas							ALL									ALL		
	Bermuda & Br. W. Indies									ALL									ALL
	Cuba	ALL									2								5
	Dom. Republic & Haiti	ALL													ALL				
	Jamaica			ALL									1						12
	Puerto Rico	ALL									2								6
	Other West Indies	ALL									2								6
	British Honduras							ALL									ALL		
	Central America	ALL									ALL								
	Colombia	ALL									2				1		22		
	Ecuador & Venezuela	ALL									5				5				
	South America									ALL									ALL
C.	Hawaii					ALL									ALL				
	Guam					ALL									ALL				
	Midway & Wake Islands					ALL									ALL				
	Samoa: British e/		1	2	1							1	2	1					
	Samoa: Other				ALL									ALL					
	So.Pac.Isls.: British f/		5	5								5	5						
	So.Pac.Isls.: Other					ALL									ALL				
	Australia & N.Zealand g/		1	2		17						1	2		17				
	Hong Kong					ALL									ALL				
	China					ALL									ALL				
	Burma									ALL									ALL
	Dutch East Indies					ALL									ALL				
	Formosa					ALL									ALL				
	French Indo-China					ALL									ALL				
	Japan					ALL									ALL				
	Korea					ALL									ALL				
	Malay States					ALL									ALL				
	Okinawa					ALL									ALL				
	Philippine Islands				2	6								2	6				
	Siam					ALL									ALL				

NOTE: a/ "ALL" means all unrouted.

b/ Except that all unrouted government, press and fixed texts go to WUI.

c/ All unrouted government, press and fixed texts go to RCO.

d/ Of traffic destined to Area A routed for transit through Canada, originating anywhere in the United States, transfer to CNT "BRITGOVT" international traffic specifically routed (VIA IMPCNT); transfer to CPR "BRITGOVT" international traffic routed (VIA IMP) or (VIA IMPCPR).

e/ New York is the gateway for ACR, CNT, CPR and WUI, and will transfer routed traffic to them. Unrouted traffic reaching New York will be distributed on the basis of 1 to CNT and 2 to CPR. San Francisco is the gateway for RCAC and GW, and specifically routed traffic will be transferred to them. All unrouted traffic reaching San Francisco will be transferred to GW.

f/ New York is the gateway for ACR, CNT and CPR, and will transfer to them all routed traffic. Unrouted traffic reaching New York will be distributed on the basis of none to ACR, 5 to CNT and 5 to CPR.

g/ Minneapolis is distributing office for unrouted messages and will transfer such traffic to CNT, CPR and RCAC as indicated.

Issued by International Quota Bureau - August 7, 1974

Includes International Instructions through No. 1783.

212 - 425-3461

INTERNATIONAL QUOTA BUREAU
26 BROADWAY, NEW YORK, N. Y. 10004

OPERATING FOR THE INTERNATIONAL FORMULA COMMITTEE REPRESENTING
ALL AMERICA CABLES AND RADIO, INC. • CANADIAN NATIONAL RAILWAY COMPANY • CANADIAN PACIFIC RAILWAY COMPANY
THE COMMERCIAL CABLE COMPANY • GLOBE WIRELESS LTD. • MACKAY RADIO AND TELEGRAPH COMPANY
RCA COMMUNICATIONS, INC. • RADIOMARINE CORPORATION OF AMERICA • TRT TELECOMMUNICATIONS CORPORATION
UNITED STATES-LIBERIA RADIO CORPORATION • WESTERN UNION INTERNATIONAL, INC.

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Memorandum for:

June 16, 1975

Mr. A. G. Duncan, Canadian Pacific Railway Company
Mr. J. M. Eaton, Canadian National Railway Company
Mr. J. F. Frech, United States-Liberia Radio Corporation
Mr. G. F. McGuire, The Western Union Telegraph Company
Mr. J. R. Moman, TRT Telecommunications Corporation
Mr. E. W. Peterson, RCA Global Communications, Inc.
Mr. T. J. Reilly, Federal Communications Commission
Mr. R. H. Thomas, Western Union International, Inc.
Mr. W. S. Wheatley, Jr., American Cable & Radio Corporation (3)

389, FCC Docket No. 19660.

1) Enclosed are copies of the Bureau's summary of the data contained in the Western Union Telegraph Company's study entitled Outbound International Destination Statistics, etc., in accordance with the direction of the Committee at its meeting on April 15, 1975, in the form discussed in the Bureau's memorandum of May 8, 1975.

2) Should you desire additional copies of this summary, please make your requirements known to us.

John M. Munroe

John M. Munroe
Manager

Copy to: Mr. J. B. Busch, The Western Union Telegraph Company
Mr. G. J. Bloom, American Cable & Radio Corporation (5)
Mr. J. J. Celentano, RCA Global Communications, Inc.
Mr. F. R. Conrad, Western Union International, Inc.
bcc: Mr. J. A. Ligon, American Cable & Radio Corporation (1)

INTERNATIONAL QUOTA BUREAU

This tabulation, consisting of pages numbered 1, 1A, 1B, and consecutively numbered pages 2 through 34, presents the summary of the study of messages transferred to the carriers by the Western Union Telegraph Company entitled Outbound International Destination Statistics - FCC Docket No. 19660,etc., for the week ending December 7, 1974 through the week ending March 1, 1975, comprising 13 consecutive weeks.

1. The form used in this summary is similar to the basic form in the Western Union study (pp. 1 - 45, q.v.). Reading from left to right, the number of messages filed at public message service offices (PMS) in the gateway cities New York (NY), San Francisco (SF), and Washington (WN) are shown in the 1st, 2nd and 3rd columns, respectively. For each origin NY, SF and WN, the number of messages received at the central telephone bureaus (CTB), those received via TLX/TWX at Greensboro, N.C.(GBO), and those received via TLX/TWX at Middletown, Va. (TCS), are shown in the 4th, 5th and 6th columns, respectively. The sub-total of gateway cities messages for NY, SF and WN (NSW), columns 1 through 6, is shown in the 7th column. The number of messages originating in Other Places in the United States (OTR) received at CTB, GBO and TCS, and those filed at PMS offices, is shown in the 8th column. The total number of messages shown in columns 7 and 8 is shown in the last, or 9th, column.

2. The 196 international destinations contained in the study have been sorted into the 54 sub-areas used by the Quota Bureau in compilation of Formula statistics in reporting monthly to the carriers. Summaries for Areas A, B and C, and for All Areas, are included in the tabulation. Due to the absence of specific data for the Canadian carriers in the Western Union study, the statistics reported to the Quota Bureau by Canadian National Railway Company (CNT) and Canadian Pacific Railway Company (CPR) are omitted from the sub-area and area transfer statistics shown on the last line in this tabulation. French Telegraph Cable Company (FCH) is not a reporting carrier to the Quota Bureau. FCH statistics are shown in the Western Union study, and are therefore included in this tabulation. Data on messages transferred to the 19 marine, or shore to ship, stations are shown separately in total only in this tabulation.

3. Presentation of statistical elements is specified as follows:

a) PREROUTED
For each carrier: ACR/GW (ITT); RCA, except for the sub-areas Continental Europe (CE) and Beyond the Continent (BC), for which sub-areas combined RCA-RCB data are shown; WUI; TRT; USL and FCH; and for ALL carriers named.

b) UNROUTED EXCLUSIVE
For each carrier: ACR/GW (ITT); RCA, with the exception of the sub-areas CE and BC mentioned in (a) above; WUI; TRT and USL; and ALL carriers named.

c) UNROUTED NON-EXCLUSIVE
For ALL carriers only.

d) UNROUTED - PMS VIA WUI
For NY, SF and WN, as supplemental information only, not included in the TOTAL ROUTED/UNROUTED statistics.

e) TOTAL ROUTED/UNROUTED
   i) Shown for sub-areas in connection with PREROUTED + UNROUTED EXCLUSIVE for each carrier and for ALL carriers.

3. e) ii) Shown for sub-areas in connection with PREROUTED + UNROUTED NON-EXCLUSIVE for ALL carriers only.

iii) Shown for Area A, B and C, and All Areas, in connection with PREROUTED + UNROUTED EXCLUSIVE + UNROUTED NON-EXCLUSIVE for ALL carriers only.

iv) Exceptionally, 1 message destined to BC (St. Helena), appearing on p. 45 of the study for the week ending February 22, 1975, is included in the TOTAL ROUTED/UNROUTED on p. 3 of this tabulation.

f) IQB REPORT - TRANSFERS
Result of the addition of December 1974 and Year-to-Date February 1975 TRANSFERS data from IQB reports to the carriers.

g) UNROUTED MESSAGES PROCESSED AT MINNEAPOLIS
Presented separately, as supplemental information, for ACR/GW (ITT), RCA, WUI, TRT, OTHER and ALL.

4. At the conclusion of the manual tabulation of the 13 weekly reports by the Quota Bureau, unreconciled differences exist as follows:

a) PREROUTED MESSAGES: ACR/GW (ITT) NY 1-, NSW 1-, OTR 1+
b) PREROUTED MESSAGES: ALL NY 1-, NSW 1-, OTR 1+
c) UNROUTED EXCLUSIVE MESSAGES: RCA SF 1-, WN 1+
d) UNROUTED EXCLUSIVE MESSAGES: ALL SF 1-, WN 1+

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MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA United Kingdom & Eire

PMS

CTO GPO + C. [illegible] [illegible]

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	19	2	6	147	3	26	203	4453	4656
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	19	2	6	147	3	26	203	4453	4656
IQB REPORT - TRANSFERS	2		34				36	4877	4913

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	15	1	5	146	39	12	218	3055	3273
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	15	1	5	146	39	12	218	3055	3273
IQB REPORT - TRANSFERS	160	44	21				225	3920	4145

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			112	7			119	193	312
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED			112	7			119	193	312
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	904	227	133	134	11	31	1440	4330	5770
UNROUTED EXCLUSIVE	277	140	4	8090	1097	1012	10622	77753	88375
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	702	204	76				982		982
TOTAL ROUTED/UNROUTED	1183	367	137	8224	1108	1043	12062	82083	94145
IQB REPORT - TRANSFERS	10354	1476	1247				13077	82600	95677

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				4	1	1	6	45	51
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				4	1	1	6	45	51
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	938	230	256	438	54	70	1986	12076	14062
UNROUTED EXCLUSIVE	277	140	4	8090	1097	1012	10622	77753	88375
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	1217	370	260	8528	1151	1082	12608	89829	102437
IQB REPORT - TRANSFERS	10516	1520	1302				13338	91397	104735

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SUB-AREA Continental Europe

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	16	2		106	11	10	145	3127	3272
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	16	2		106	11	10	145	3127	3272
IQB REPORT - TRANSFERS	5	2	14				21	3442	3463

RCA-RCB

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	28	4	2	109	8	17	168	2972	3140
UNROUTED EXCLUSIVE	238	82	2	3948	454	553	5277	39619	44896
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	266	86	4	4057	462	570	5445	42591	48036
IQB REPORT - TRANSFERS	3465	509	832				4806	43717	48523

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			21	10		1	32	145	177
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED			21	10		1	[illegible]	145	177
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	746	109	110	111	5	15	1016	2678	3774
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	535	121	70				726		726
TOTAL ROUTED/UNROUTED	746	[illegible]	[illegible]	111	5	15	1016	2675	3774
IQB REPORT - TRANSFERS	1160	140	131				1431	3046	4477

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								12	12
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								12	12
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	790	115	133	336	24	43	1441	8934	[illegible]
UNROUTED EXCLUSIVE	238	82	2	3948	454	553	5277	39619	44846
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	1025	177	135	4284	478	[illegible]	6115	[illegible]	55271
IQB REPORT - TRANSFERS	4630	651	977				6255	50205	56463

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Beyond the Continent

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	31	2	3	350	14	28	428	10265	10693
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	31	2	3	350	14	28	428	10265	10693
IQB REPORT - TRANSFERS	5	2	48				55	11407	11462

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			24	15		1	40	663	703
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED			24	15		1	40	663	703
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1	13			14	75	89
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED			1	13			14	75	89
IQB REPORT - TRANSFERS									

RCA-RCB

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	39	20	25	495	27	47	653	13059	13712
UNROUTED EXCLUSIVE	568	143	19	14137	1173	2307	18347	103514	121861
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	607	163	44	14632	1200	2354	19000	116573	135573
IQB REPORT - TRANSFERS	13083	1312	2340				16735	120493	137228

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1282	153	413	323	8	70	2249	8669	10918
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	745	155	349				1249		1249
TOTAL ROUTED/UNROUTED	1282	153	413	323	8	70	2249	8669	10918
IQB REPORT - TRANSFERS	2300	236	515				3051	9642	12693

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1352	175	466	1196	49	146	3384	32731	36115
UNROUTED EXCLUSIVE	568	143	19	14137	1173	2307	18347	103514	121861
UNROUTED NON-EXCLUSIVE								1	1 *
TOTAL ROUTED/UNROUTED	1920	318	485	15333	1222	2453	21731	136246	157977
IQB REPORT - TRANSFERS	15388	1550	2903				19841	141542	161383

* See p. 1A, 3(e) (iv).

SUB-AREA

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

MESSAGE TABULATION

WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA **Liberia**

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1			10			11	63	74
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	1			10			11	63	74
IQB REPORT - TRANSFERS								81	81

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				5		1	6	120	126
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				5		1	6	120	126
IQB REPORT - TRANSFERS	10	1	2				13	158	171

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								10	10
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								10	10
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	23		6	1		3	33	120	153
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	11	1					12		12
TOTAL ROUTED/UNROUTED	23		6	1		3	33	120	153
IQB REPORT - TRANSFERS	27	2	9				38	129	167

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				5			5	43	48
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				5			5	43	48
IQB REPORT - TRANSFERS									

USL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	21	1	5				27	2	29
UNROUTED EXCLUSIVE	10	3	1	264	16	84	378	1081	1459
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	31	4	6	264	16	84	405	1083	1488
IQB REPORT - TRANSFERS	140	20	89				249	1220	1469

478

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

SUB-AREA
ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	45	1	11	21		4	82	358	440
UNROUTED EXCLUSIVE	10	3	1	264	16	84	378	1081	1459
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	55	4	12	285	16	88	460	1439	1899
IQB REPORT - TRANSFERS	177	23	100				300	1588	1888

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

MESSAGE TABULATION
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SUB-AREA Austria

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1		1	2	204	206
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				1		1	2	204	206
IQB REPORT - TRANSFERS	1						1	223	224

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1				1	8	9
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED			1				1	8	9
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								2	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								2	2
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				4	1	1	6	174	180
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				4	1	1	6	174	180
IQB REPORT - TRANSFERS	16	4	6				26	395	421

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	76	12	12	16		1	117	197	314
UNROUTED EXCLUSIVE	19	5		394	33	46	497	3953	4450
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	95	17	12	410	33	47	614	4150	4764
IQB REPORT - TRANSFERS	606	48	57				711	3959	4670

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	76	12	13	21	1	3	136	585	711
UNROUTED EXCLUSIVE	19	5		394	33	46	497	3953	4450
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	95	17	13	415	34	49	623	4538	5161
IQB REPORT - TRANSFERS	623	52	63				738	4577	5315

SUB-AREA Belgium

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	4			32	1	1	38	584	622
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS			1				1	670	671

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			35	1			36	32	68
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1	2	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				26	5		31	453	484
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	157	20	33				210	2541	2751

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	90	3	11	17	1	1	123	705	828
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	539	36	67				642	4237	4879

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	94	3	46	77	7	2	229	1776	2005
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	27	4	1	481	42	75	630	4863	5493
TOTAL ROUTED/UNROUTED	121	7	47	558	49	77	859	6639	7498
IQB REPORT - TRANSFERS	696	56	101				853	7448	8301

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SUB-AREA France

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	36	6	16	90	3	15	166	1561	1727
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	13	14	199				226	10756	10982

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			10	6			16	48	64
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1	2		20	2		25	120	145
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	7		2	116	11	7	143	1222	1365
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	260	35	43				338	3023	3361

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	468	93	78	77	5	23	744	1380	2124
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	373	85	51				509		509
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	2794	374	420				3588	15841	19429

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	512	101	106	309	21	45	1094	4331	5425
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	81	56	1	3145	411	500	4194	22784	26978
TOTAL ROUTED/UNROUTED	593	157	107	3454	432	545	5288	27115	32403
IQB REPORT - TRANSFERS	3067	423	662				4152	29620	33772

SUB-AREA Germany

480

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	14			49	3	2	68	1798	1866
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	7	8	113				128	13985	14113

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			613	5			618	73	691
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				2			2	11	13
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	4		1	72	2	4	83	1647	1730
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	249	44	36				329	5802	6131

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	381	65	60	61	6	9	582	1651	2233
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	1						1		1
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	2406	299	289				2994	25039	28033

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	399	65	674	189	11	15	1353	5180	6533
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	119	47	3	2410	306	338	3223	37086	40309
TOTAL ROUTED/UNROUTED	518	112	677	2599	317	353	4576	42266	46842
IQB REPORT - TRANSFERS	2662	351	438				3451	44826	48277

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Holland

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	9			17	1	4	31	595	626
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS			7				7	678	685

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1	1		40	1	6	49	546	595
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	171	37	21				229	3554	3783

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			19				19	34	53
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	97	19	21	16	1	4	158	626	784
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	24		3				27		27
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	661	102	88				851	7002	7853

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				6			6	4	10
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	107	20	40	79	3	14	263	1805	2068
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	35	23		587	98	75	818	7587	8405
TOTAL ROUTED/UNROUTED	142	43	40	666	101	89	1081	9392	10473
IQB REPORT - TRANSFERS	832	139	116				1087	11234	12321

SUB-AREA Italy

481

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	14			65		31	110	1808	1918
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	19	4	97				120	9721	9841

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2			73	4	2	81	1508	1589
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	180	16	5				201	1617	1818

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			11	2			13	88	101
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	567	52	90	68	5	23	805	1827	2632
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	10						10		10
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	4571	260	324				5155	21378	26533

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								35	35
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	583	52	101	208	9	56	1009	5266	6275
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	138	17		4375	252	263	5045	24740	29785
TOTAL ROUTED/UNROUTED	721	69	101	4583	261	319	6054	30006	36060
IQB REPORT - TRANSFERS	4770	280	426				5476	32716	38192

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Norway

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1			3			4	357	361
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	1						1	390	391

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1				1	8	9
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								2	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				3	1	2	6	344	350
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	119	23	17				159	3158	3317

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	32	12	6	12		1	63	270	333
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	154	29	22				205	1702	1907

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	33	12	7	18	1	3	74	981	1055
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	14	8		253	31	26	332	4022	4354
TOTAL ROUTED/UNROUTED	47	20	7	271	32	29	406	5003	5409
IQB REPORT - TRANSFERS	274	52	39				365	5250	5615

SUB-AREA Czechoslovakia

482

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1			1			2	19	21
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS								29	29

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								25	25
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	73	8	4				85	614	699

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	17	5		3			25	32	57
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	1						1		1
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	39	8					47	196	243

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	18	5		4			27	76	103
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	9	5		102	7	4	127	717	844
TOTAL ROUTED/UNROUTED	27	10		106	7	4	154	793	947
IQB REPORT - TRANSFERS	112	16	4				132	839	971

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Denmark

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2	1		5	2	5	15	294	309
UNROUTED EXCLUSIVE	12	1		207	36	45	301	3851	4152
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	14	2		212	38	50	316	4145	4461
IQB REPORT - TRANSFERS	2	1	47				50	4462	4512

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2		1	14		1	18	185	203
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	2		1	14		1	18	185	203
IQB REPORT - TRANSFERS	7		4				11	222	233

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								4	4
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								4	4
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	32	6	7	20	2	3	70	246	316
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	32	6	7	20	2	3	70	246	316
IQB REPORT - TRANSFERS	94	9	14				117	291	408

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								2	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								2	2
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	36	7	8	39	4	9	103	731	834
UNROUTED EXCLUSIVE	12	1		207	36	45	301	3851	4152
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	48	8	8	246	40	54	404	4582	4986
IQB REPORT - TRANSFERS	103	10	65				178	4975	5153

SUB-AREA Greece

183

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3			8		1	12	405	417
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	5	1	34				40	4122	4162

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3			22			25	377	402
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	230	3	6				239	1293	1532

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			16				16	29	45
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	259	24	17	14		2	316	411	727
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI		3					3		3
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	1427	69	55				1551	4591	6142

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1	2	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	265	24	33	45		3	370	1224	1594
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	60	19		1928	69	67	2143	7727	9870
TOTAL ROUTED/UNROUTED	325	43	33	1973	61	70	2513	8951	11464
IQB REPORT - TRANSFERS	1662	73	95				1830	10006	11836

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SUB-AREA Hungary

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	9			1			10	37	47
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	1	5	3				9	1711	1720

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1	1			2	2	4
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				3			3	72	75
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	25	3	5				33	395	428

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	32	8	1	1			42	64	106
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	19	8	2				29		29
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	37	9	2				48	73	121

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	41	8	2	6			57	175	232
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	4	8		215	16	8	251	1734	1985
TOTAL ROUTED/UNROUTED	45	16	2	221	16	8	308	1909	2217
IQB REPORT - TRANSFERS	63	17	10				90	2179	2269

SUB-AREA Poland & Danzig

484

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	31	1	2	1	2		37	106	143
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	31	1	2	1	2		37	106	143
IQB REPORT - TRANSFERS	1	1	3				5	165	170

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								6	6
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								6	6
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1			12			13	116	129
UNROUTED EXCLUSIVE	27	4		365	17	23	436	5075	5511
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	28	4		377	17	23	449	5191	5640
IQB REPORT - TRANSFERS	328	20	21				369	5302	5671

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	99	8	9	5		1	122	122	244
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	104	7	9				120		120
TOTAL ROUTED/UNROUTED	79	8	9	5		1	122	122	244
IQB REPORT - TRANSFERS	118	8	9				135	169	304

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	131	9	11	18	2	1	172	350	522
UNROUTED EXCLUSIVE	27	4		365	17	23	436	5075	5511
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	155	13	11	383	19	24	608	5425	6033
IQB REPORT - TRANSFERS	147	29	33				509	5636	6145

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SUB-AREA Roumania

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5		1	17			23	73	96
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS			5				5	241	246

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								4	4
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				2			2	78	80
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	90	2	6				98	605	703

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	18	3	8	1			30	53	83
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	10	3	8				21		21
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	30	3	8				41	95	136

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	23	3	9	20			55	208	263
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	4			123		11	138	652	790
TOTAL ROUTED/UNROUTED	27	3	9	143		11	193	860	1053
IQB REPORT - TRANSFERS	120	5	19				144	941	1085

SUB-AREA Yugoslavia

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5			2			7	180	187
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS								208	208

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1	12	13
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								5	5
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				3		1	4	151	155
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	152	20	8				180	1391	1571

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	114	20	1	5			140	116	256
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	382	42	22				446	1894	2340

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	119	20	1	11		1	152	464	616
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	21	13		436	31	29	530	2636	3166
TOTAL ROUTED/UNROUTED	140	33	1	447	31	30	682	3100	3782
IQB REPORT - TRANSFERS	534	62	30				626	3493	4119

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WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Albania

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								1	1
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS								1	1

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								3	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	6						6	51	57

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	6	1					7	2	9
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	11	1					12	40	52

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	6	1					7	6	13
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	4			13			17	77	94
TOTAL ROUTED/UNROUTED	10	1		13			24	83	107
IQB REPORT - TRANSFERS	17	1					18	92	110

SUB-AREA Bulgaria

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								23	23
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS								23	23

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								50	50
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	1		2				3	115	118

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	10		2				12	23	35
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	5						5		5
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	31	1	9				41	133	174

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	10		2				12	96	108
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	2			15	1	8	26	175	201
TOTAL ROUTED/UNROUTED	12		2	15	1	8	38	271	309
IQB REPORT - TRANSFERS	32	1	11				44	271	315

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SUB-AREA Esthonia-Latvia-Lithuania

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								1	·1
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	7	1	1				9		9
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	7	1	1				9	1	10
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE				11		1	12	164	176
TOTAL ROUTED/UNROUTED	7	1	1	11		1	21	165	186
IQB REPORT - TRANSFERS									

SUB-AREA Luxembourg

487

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								11	11
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS			1				1	12	13

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								17	17
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS								25	25

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3			1			4	19	23
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	2						2		2
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	30	3	10				43	347	390

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								1	1
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3			1			4	48	52
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE				23	4	8	35	298	333
TOTAL ROUTED/UNROUTED	3			24	4	8	39	346	385
IQB REPORT - TRANSFERS	30	3	11				44	384	428

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WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Bahamas

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				36			36	194	230
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				36			36	194	230
IQB REPORT - TRANSFERS			1				1	240	241

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				14			14	144	158
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				14			14	144	158
IQB REPORT - TRANSFERS	13						13	163	176

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	13	1	7	14			35	212	247
UNROUTED EXCLUSIVE	12	2		343	12	55	424	2516	2940
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	25	3	7	357	12	55	459	2728	3187
IQB REPORT - TRANSFERS	47	1					48	3185	3233

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	15	1	6	31	1	1	55	203	258
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	4		1				5		5
TOTAL ROUTED/UNROUTED	15	1	6	31	1	1	55	203	258
IQB REPORT - TRANSFERS	66	3	6				75	249	324

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								2	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								2	2
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	28	2	13	95	1	1	140	755	895
UNROUTED EXCLUSIVE	12	2		343	12	55	424	2516	2940
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	40	4	13	438	13	56	564	3271	3835
IQB REPORT - TRANSFERS	126	4	7				137	3837	3974

488

SUB-AREA Bermuda & British West Indies

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5	1	1	57	8		72	1101	1173
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	5	1	1	57	8		72	1101	1173
IQB REPORT - TRANSFERS	2	1	5				8	1023	1031

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1			42	5	2	50	840	890
UNROUTED EXCLUSIVE				1			1	43	44
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	1			43	5	2	51	883	934
IQB REPORT - TRANSFERS	203	5	19				227	1677	1904

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2		11	17		2	32	462	494
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	2		11	17		2	32	462	494
IQB REPORT - TRANSFERS	26	1	1				28	496	524

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	187	3	180	65	2	5	442	1183	1625
UNROUTED EXCLUSIVE	103	3	1	2653	54	270	3084	8573	11657
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	51	2	22				75		75
TOTAL ROUTED/UNROUTED	290	6	181	2718	56	275	3526	9756	13282
IQB REPORT - TRANSFERS	2379	53	424				2856	8028	10854

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								3	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								3	3
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	195	4	192	181	15	9	596	3589	4185
UNROUTED EXCLUSIVE	103	3	1	2654	54	270	3085	8616	11701
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	295	7	193	2835	69	279	3681	12205	15886
IQB REPORT - TRANSFERS	2610	60	449				3119	11224	14343

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SUB-AREA Cuba

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	414	51	2	47			514	293	807
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	44	60	13				117	8356	8473

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1	11	12
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS								12	12

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2			1			3	58	61
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	1						1	112	113

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1056	10	66	5			1139	391	1530
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	867	11	17				895		895
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	2166	41	52				2259	17127	19386

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1472	61	70	54			1657	753	2410
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	254	6		1155	37	22	1474	23426	24900
TOTAL ROUTED/UNROUTED	1726	67	70	1209	37	22	3131	24179	27310
IQB REPORT - TRANSFERS	2211	101	65				2377	25607	27984

SUB-AREA Dominican Republic & Haiti

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	262	1	5	41	4		313	987	1300
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	262	1	5	41	4		313	987	1300
IQB REPORT - TRANSFERS	25	1	7				33	1435	1468

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			3	5		2	10	237	247
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED			3	5		2	10	237	247
IQB REPORT - TRANSFERS	11						11	256	267

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1		8	45		7	61	551	612
UNROUTED EXCLUSIVE	130	7		1548	10	96	1791	4311	6102
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	131	7	8	1593	10	103	1852	4862	6714
IQB REPORT - TRANSFERS	1503	17	120				1640	5255	6895

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	469	3	31	19	1	6	529	409	938
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	282	1	39				322		322
TOTAL ROUTED/UNROUTED	469	3	31	19	1	6	529	409	938
IQB REPORT - TRANSFERS	586	5	40				631	523	1154

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	732	4	47	110	5	15	913	2184	3097
UNROUTED EXCLUSIVE	130	7		1548	10	96	1791	4311	6102
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	862	11	47	1658	15	111	2704	6495	9199
IQB REPORT - TRANSFERS	2125	23	167				2315	7469	9784

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SUB-AREA Jamaica

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5			73	1		79	537	616
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	5			73	1		79	537	616
IQB REPORT - TRANSFERS	1	1					2	646	648

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				106	2	1	109	427	536
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				106	2	1	109	427	536
IQB REPORT - TRANSFERS	143	2	3				148	536	684

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1		8	10			19	427	446
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	1		8	10			19	427	446
IQB REPORT - TRANSFERS	66						66	502	568

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	113	3	100	39	1	15	271	649	920
UNROUTED EXCLUSIVE	67	2	1	1622	14	155	1861	5082	6943
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	24		10				34		34
TOTAL ROUTED/UNROUTED	180	5	101	1661	15	170	2132	5731	7863
IQB REPORT - TRANSFERS	24[illegible]	36	316				2840	6845	9735

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	[illegible]9	3	108	228	4	16	478	2040	2518
UNROUTED EXCLUSIVE	67	2	1	1622	14	155	1861	5082	6943
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	186	5	109	1850	18	171	2339	7122	9461
IQB REPORT - TRANSFERS	2698	39	319				3056	8629	11685

SUB-AREA Puerto Rico

. 190

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	504	3	2	137		8	654	2202	2856
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	114	1	59				174	9134	9305

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	46	1	1	108	5	7	168	1320	1488
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	154	8	19				181	1575	1756

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			116	11	2		129	391	520
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	11	12					23	532	555

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	397	8	41	108	1	22	577	1468	2045
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	190	6	32				228		228
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	2340	40	180				2560	7682	10242

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	947	12	160	364	8	37	1528	5381	6909
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	164	8	4	2832	37	120	3165	10819	13984
TOTAL ROUTED/UNROUTED	1111	20	164	3196	45	157	4693	16200	20893
IQB REPORT - TRANSFERS	[illegible]	61	25[illegible]				[illegible]38	1[illegible]23	21861

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SUB-AREA Other West Indies

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	57	1	4	50	2	3	117	1068	1185
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	4		21				32	[illegible]	2302

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			3	7			10	210	220
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	16						16	245	261

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								2	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1		3	19			23	939	962
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	66	1	11				78	1319	1397

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	66	3	16	37	4	11	137	429	566
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	10	2	15				27		27
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	975	27	123				1125	4486	5611

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	124	4	26	113	6	14	287	2648	2935
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	44		1	927	25	99	1096	4885	5981
TOTAL ROUTED/UNROUTED	168	4	27	1040	31	113	1383	7533	8916
IQB REPORT - TRANSFERS	1061	28	162				1251	8320	9571

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SUB-AREA British Honduras

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				4	1		5	69	74
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				4	1		5	69	74
IQB REPORT - TRANSFERS	4		1				5	132	137

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2		31	1			34	145	179
UNROUTED EXCLUSIVE	5	1		51	5	6	68	678	746
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	7	1	31	52	5	6	102	823	925
IQB REPORT - TRANSFERS	3						3	926	929

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1	40	41
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				1			1	40	41
IQB REPORT - TRANSFERS	7						7	30	37

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	7	1	19	1	1		29	40	69
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	7	1	19	1	1		29	40	69
IQB REPORT - TRANSFERS	12	2	16				30	50	80

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	9	1	50	7	2		69	294	363
UNROUTED EXCLUSIVE	5	1		51	5	6	68	678	746
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	14	2	50	53	7	6	137	972	1109
IQB REPORT - TRANSFERS	26	2	17				45	1138	1183

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SUB-AREA Central America

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	104	66	21	165	13	5	374	3072	3446
UNROUTED EXCLUSIVE	69	95	3	975	453	172	1767	14241	16008
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	173	161	24	1140	466	177	2141	17313	19454
IQB REPORT - TRANSFERS	18	85	215				318	19324	19642

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3			118	5	13	139	1987	2126
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	3			118	5	13	139	1987	2126
IQB REPORT - TRANSFERS	121	21	7				149	2379	2528

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	6		154	12	1	2	175	2151	2326
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	6		154	12	1	2	175	2151	2326
IQB REPORT - TRANSFERS	86	7	1				94	2411	2505

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	164	131	47	100	8	4	454	1748	2202
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	59	136	37				232		232
TOTAL ROUTED/UNROUTED	164	131	47	100	8	4	454	1748	2202
IQB REPORT - TRANSFERS	359	159	63				581	1959	2540

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								4	4
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								4	4
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	277	197	222	395	27	24	1142	8962	10104
UNROUTED EXCLUSIVE	69	95	3	975	453	172	1767	14241	16008
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	346	292	225	1370	480	196	2909	23203	26112
IQB REPORT - TRANSFERS	584	272	286				1142	26073	27215

492

SUB-AREA Colombia

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	250	4		48	4	2	308	1471	1779
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	7	5	12				24	2648	2672

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				40	1	1	42	758	800
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	100	7	7				114	1467	1581

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	12	3	40	2		1	58	633	691
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	12						12	7033	7045

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	154	22	20	23	1	3	223	651	874
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	22	19	12				53		53
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	216	23	29				268	764	1032

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								1	1
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	416	29	60	113	6	7	631	3514	4145
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	66	14	2	727	58	91	958	6394	7352
TOTAL ROUTED/UNROUTED	482	43	62	840	64	98	1589	9908	11497
IQB REPORT - TRANSFERS	335	35	48				418	11912	12330

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SUB-AREA Ecuador & Venezuela

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	194	9	6	123	5	1	338	3200	3538
UNROUTED EXCLUSIVE								1	1
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	27	8	47				82	7555	7637

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2			99	1	6	108	1605	1713
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	850	49	81				980	10495	11475

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			19	2	1		22	762	784
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	53	11					64	821	885

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	376	33	31	83		6	529	1434	1963
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	166	32	24				222		222
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	565	51	44				660	1627	2287

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1		1
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	572	42	56	308	7	13	998	7001	7999
UNROUTED EXCLUSIVE								1	1
UNROUTED NON-EXCLUSIVE	99	12	3	1184	62	107	1467	11709	13176
TOTAL ROUTED/UNROUTED	671	54	59	1492	69	120	2465	18711	21176
IQB REPORT - TRANSFERS	1495	119	172				1786	20498	22284

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SUB-AREA South America

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	38			261	8	12	319	6544	6863
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	38			261	8	12	319	6544	6863
IQB REPORT - TRANSFERS	1		15				16	7190	7206

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3		1	184	13	9	210	4293	4503
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	3		1	184	13	9	210	4293	4503
IQB REPORT - TRANSFERS	307	25	24				356	5267	5623

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1		45	20	1	2	69	1543	1612
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED	1		45	20	1	2	69	1543	1612
IQB REPORT - TRANSFERS	51	2					53	1683	1736

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1177	164	215	252	8	39	1855	4843	6698
UNROUTED EXCLUSIVE	249	69	5	3508	400	525	4756	33496	38252
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	8	12	4				24		24
TOTAL ROUTED/UNROUTED	1426	233	220	3760	408	564	6611	38339	44950
IQB REPORT - TRANSFERS	5848	160	864				6872	38389	45261

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1	1		2	13	15
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				1	1		2	13	15
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1219	164	261	718	31	62	2455	17236	19691
UNROUTED EXCLUSIVE	249	69	5	3508	400	525	4756	33496	38252
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	1468	233	266	4226	431	587	7211	50732	57943
IQB REPORT - TRANSFERS	6207	187	903				7297	52529	59826

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Hawaii

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	66	90	2	71	8	20	257	2240	2497
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	6	12	46				64	4934	4998

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			4				4	38	42
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								2	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	25	31	2	46	22	16	142	1668	1810
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	550	507	216				1273	14220	15493

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	284	59	158	45	18	39	603	1026	1629
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	70	57	105				232		232
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	461	96	221				778	1172	1950

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	375	180	166	162	48	75	1006	4974	5980
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE	108	120	2	770	425	167	1592	12274	13866
TOTAL ROUTED/UNROUTED	483	300	168	932	473	242	2598	17248	19846
IQB REPORT - TRANSFERS	1017	615	483				2115	20326	22441

494

SUB-AREA Guam

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				11	3		14	150	164
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				11	3		14	150	164
IQB REPORT - TRANSFERS								170	170

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED					1		1	7	8
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED					1		1	7	8
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2	2	16	8	7	1	36	344	380
UNROUTED EXCLUSIVE	4	8	1	103	61	15	192	1452	1644
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	6	10	17	111	68	16	228	1796	2024
IQB REPORT - TRANSFERS	103	97	40				240	1960	2200

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5	5	9	14	3	5	41	101	142
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	2	8	5				15		15
TOTAL ROUTED/UNROUTED	5	5	9	14	3	5	41	101	142
IQB REPORT - TRANSFERS	54	6	24				84	236	320

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	7	7	25	33	14	6	92	602	694
UNROUTED EXCLUSIVE	4	8	1	103	61	15	192	1452	1644
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	11	15	26	136	75	21	284	2054	2338
IQB REPORT - TRANSFERS	157	103	64				324	2366	2690

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA Midway & Wake Islands

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS								5	5

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1						1	2	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	2						2	3	5

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1						1	2	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE								7	7
TOTAL ROUTED/UNROUTED	1						1	9	10
IQB REPORT - TRANSFERS	2						2	8	10

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SUB-AREA Samoa: British

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED		1			4		5	8	13
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS		2	2				4	127	131

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1		1	3	5	19	24
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	2	5	2				9	133	142

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								2	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	1	1	1				3	6	9

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED		1	1		5	3	10	29	39
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE		3		5	1	4	15	177	192
TOTAL ROUTED/UNROUTED		4	1	5	3	7	25	206	231
IQB REPORT - TRANSFERS	[illegible]	[illegible]	5				16	266	282

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SUB-AREA Samoa; Other

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED					4		4	42	46
UNROUTED EXCLUSIVE	3	3		7	17	5	35	356	391
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	3	3		7	21	5	39	398	437
IQB REPORT - TRANSFERS		1	2				3	239	242

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED		1			4	2	7	59	66
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED		1			4	2	7	59	66
IQB REPORT - TRANSFERS	2	10	4	1			16	204	220

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								3	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								3	3
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED		9	1	1			11	21	32
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI		4	3				7		7
TOTAL ROUTED/UNROUTED		9	1	1			11	21	32
IQB REPORT - TRANSFERS	2	9	4				15	46	61

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED		10	1	1	8	2	22	125	147
UNROUTED EXCLUSIVE	3	3		7	17	5	35	356	391
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	3	13	1	8	25	7	57	481	538
IQB REPORT - TRANSFERS	4	20	10				34	489	523

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SUB-AREA South Pacific Islands; British

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1	8		9	69	78
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS		1					1	94	95

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3			1	2		6	117	123
UNROUTED EXCLUSIVE	1	8		42	23	6	80	939	1019
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	13	8					21	617	638

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1	1	2
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	6	13	5				24	49	73
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI		4	4				8		8
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	10	8	4				22	96	118

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	4	13	5	3	10		40	236	276
UNROUTED EXCLUSIVE	1	8		42	23	6	80	939	1019
UNROUTED NON-EXCLUSIVE				1	1		2	42	44
TOTAL ROUTED/UNROUTED	10	21	5	46	34	6	122	1217	1339
IQB REPORT - TRANSFERS	[illegible]	17	4				44	[illegible]	[illegible]51

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SUB-AREA South Pacific Islands; Other

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE				1	12		13	114	127
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				1	12		13	114	127
IQB REPORT - TRANSFERS								143	143

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE								8	8
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								8	8
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE	1	3	1	1	3		9	187	196
UNROUTED NON-EXCLUSIVE	1	4		31	45	5	86	851	937
TOTAL ROUTED/UNROUTED	2	7	1	32	48	5	95	1038	1133
IQB REPORT - TRANSFERS	18	53	4				75	1033	1108

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE	4	1	3	4		1	13	53	66
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI		2	2				4		4
TOTAL ROUTED/UNROUTED	4	1	3	4		1	13	53	66
IQB REPORT - TRANSFERS	13	4	5				22	119	141

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE	5	4	4	6	15	1	35	362	397
UNROUTED NON-EXCLUSIVE	1	4		31	45	5	86	851	937
TOTAL ROUTED/UNROUTED	6	8	4	37	60	6	121	1213	1334
IQB REPORT - TRANSFERS	31	57	9				97	1295	1392

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SUB-AREA Australia & New Zealand

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE	7	2		65	6	1	81	2462	2543
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	3	1	3				7	2687	2694

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE					1		1	115	116
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE								15	15
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE	2	4		70	22	7	105	2626	2731
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	798	455	189				1442	22897	24339

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE	190	215	55	52	11	8	531	2162	2693
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	121	228	37				386		386
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	392	262	78				732	2509	3241

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE	199	221	55	187	40	16	718	7380	8098
UNROUTED NON-EXCLUSIVE	81	192		1253	383	235	2144	22556	24700
TOTAL ROUTED/UNROUTED	280	413	55	1440	423	251	2862	29936	32798
IQB REPORT - TRANSFERS	1193	718	270				2181	28093	30274

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SUB-AREA Hong Kong

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2			33	5	6	46	1199	1245
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	2			33	5	6	46	1199	1245
IQB REPORT - TRANSFERS	1		6				7	1330	1337

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED		7		75	14	3	99	1675	1774
UNROUTED EXCLUSIVE	31	37		940	310	51	1369	10308	11677
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	31	44		1015	324	54	1468	11983	13451
IQB REPORT - TRANSFERS	943	388	62				1393	12715	14108

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1	28	29
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED				1			1	28	29
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	180	85	13	39	3	1	321	875	1196
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	128	82	11				221		221
TOTAL ROUTED/UNROUTED	180	85	13	39	3	1	321	875	1196
IQB REPORT - TRANSFERS	315	97	20				432	987	1419

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								6	6
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								6	6
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	182	92	13	148	22	10	467	3783	4250
UNROUTED EXCLUSIVE	31	37		940	310	51	1369	10308	11677
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	213	129	13	1088	332	61	1836	14091	15927
IQB REPORT - TRANSFERS	1259	485	88				1832	15032	16864

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SUB-AREA China

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1	4		5	192	197
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				1	4		5	192	197
IQB REPORT - TRANSFERS								134	134

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1	7			8	216	224
UNROUTED EXCLUSIVE	12	3		39	17	17	88	827	915
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	12	3	1	46	17	17	96	1043	1139
IQB REPORT - TRANSFERS	17	7	12				36	611	647

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	12	2		16	4		34	146	180
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI		1					1		1
TOTAL ROUTED/UNROUTED	12	2		16	4		34	146	180
IQB REPORT - TRANSFERS	9	7					16	90	106

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	12	2	1	24	8		47	554	601
UNROUTED EXCLUSIVE	12	3		39	17	17	88	827	915
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	24	5	1	63	25	17	135	1381	1516
IQB REPORT - TRANSFERS	26	14	12				52	835	887

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SUB-AREA Burma

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED					2		2	32	34
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED					2		2	32	34
IQB REPORT - TRANSFERS								37	37

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								59	59
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								59	59
IQB REPORT - TRANSFERS	2	4	2				8	150	158

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								6	6
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								6	6
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2	2					4	91	95
UNROUTED EXCLUSIVE	2	2		10	19	8	41	259	300
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	1	2					3		3
TOTAL ROUTED/UNROUTED	4	4		10	19	8	45	350	395
IQB REPORT - TRANSFERS	12	17	6				35	274	309

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2	2			2		6	188	194
UNROUTED EXCLUSIVE	2	2		10	19	8	41	259	300
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	4	4		10	21	8	47	447	494
IQB REPORT - TRANSFERS	14	21	8				43	461	504

499

SUB-AREA Dutch East Indies

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				10	1	4	15	476	491
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				10	1	4	15	476	491
IQB REPORT - TRANSFERS			4				4	503	507

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1	1	2	23	26	10	63	562	625
UNROUTED EXCLUSIVE	5	14	1	120	58	64	262	2416	2678
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	6	15	3	143	84	74	325	2978	3303
IQB REPORT - TRANSFERS	123	101	91				315	3024	3339

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED					2	1	3	29	32
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED					2	1	3	29	32
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	20	13	20	9	3	7	72	425	497
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	12	15	18				45		45
TOTAL ROUTED/UNROUTED	20	13	20	9	3	7	72	425	497
IQB REPORT - TRANSFERS	60	32	32				124	436	560

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	21	14	22	42	32	22	153	1492	1645
UNROUTED EXCLUSIVE	5	14	1	120	58	64	262	2416	2678
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	26	28	23	162	90	86	415	3908	4323
IQB REPORT - TRANSFERS	183	133	127				443	3963	4406

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SUB-AREA Formosa

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	4			22			26	1413	1439
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	4			22			26	1413	1439
IQB REPORT - TRANSFERS	1						1	1498	1499

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1	1		31	13	6	52	2114	2166
UNROUTED EXCLUSIVE	21	8		467	119	41	656	8475	-9131
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	22	9		498	132	47	708	10589	11297
IQB REPORT - TRANSFERS	456	141	51				648	10922	11570

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								56	56
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								56	56
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	61	17	63	23	6	3	173	1001	1174
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	34	29	64				127		127
TOTAL ROUTED/UNROUTED	61	17	63	23	6	3	173	1001	1174
IQB REPORT - TRANSFERS	118	35	63				216	1130	1346

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								3	3
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								3	3
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	66	18	63	76	19	9	251	4587	4838
UNROUTED EXCLUSIVE	21	8		467	119	41	656	8475	9131
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	87	26	63	543	138	50	907	13062	13969
IQB REPORT - TRANSFERS	575	176	114				865	13550	14415

500

SUB-AREA French Indo-China

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1			20	1		22	300	322
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	1			20	1		22	300	322
IQB REPORT - TRANSFERS								335	335

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED		2		16		1	19	379	398
UNROUTED EXCLUSIVE	5	15		91	50	64	225	2037	2262
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	5	17		107	50	65	244	2416	2660
IQB REPORT - TRANSFERS	56	56	74				186	2680	2866

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1	2			3	11	14
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED			1	2			3	11	14
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	9	12	38	5		10	74	196	270
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	15	11	35				61		61
TOTAL ROUTED/UNROUTED	9	12	38	5		10	74	196	270
IQB REPORT - TRANSFERS	28	21	48				97	203	300

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				2			2	6	8
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				2			2	6	8
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	10	14	39	45	1	11	120	892	1012
UNROUTED EXCLUSIVE	5	15		91	50	64	225	2037	2262
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	15	29	39	136	51	75	345	2929	3274
IQB REPORT - TRANSFERS	84	77	122				283	3218	3501

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SUB-AREA Japan

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5		2	81	14	3	105	2874	2979
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	5		2	81	14	3	105	2874	2979
IQB REPORT - TRANSFERS	2		5				7	3094	3101

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			2	5	2		9	71	80
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED			2	5	2		9	71	80
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								6	6
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED								6	6
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3	7	67	152	41	5	275	4144	4419
UNROUTED EXCLUSIVE	93	133	3	1220	318	158	1925	23801	25726
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	96	140	70	1372	359	163	2200	27945	30145
IQB REPORT - TRANSFERS	1091	357	205				1653	28776	30429

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	239	120	67	73	10	9	518	1695	2213
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	129	132	64				325		325
TOTAL ROUTED/UNROUTED	239	120	67	73	10	9	518	1695	2213
IQB REPORT - TRANSFERS	431	151	81				663	1833	2496

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	247	127	138	311	67	17	907	8790	9697
UNROUTED EXCLUSIVE	93	133	3	1220	318	158	1925	23801	25726
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	340	260	141	1531	385	175	2832	32591	35423
IQB REPORT - TRANSFERS	1524	508	291				2323	33703	36026

501

SUB-AREA Korea

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	3			26	4	5	38	923	961
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	3			26	4	5	38	923	961
IQB REPORT - TRANSFERS			5				5	977	982

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								36	36
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED								36	36
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				1			1		1
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED				1			1		1
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			1	54	2	18	75	1717	1792
UNROUTED EXCLUSIVE	21	8		417	81	102	629	6770	7399
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	21	8	1	471	83	120	704	8487	9191
IQB REPORT - TRANSFERS	255	69	58				382	8957	9339

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	36	9	32	15	2	1	95	616	711
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	13	8	25				46		46
TOTAL ROUTED/UNROUTED	36	9	32	15	2	1	95	616	711
IQB REPORT - TRANSFERS	52	27	32				111	695	806

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	39	9	33	96	8	24	209	3292	3501
UNROUTED EXCLUSIVE	21	8		417	81	102	629	6770	7399
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	60	17	33	513	89	126	838	10062	10900
IQB REPORT - TRANSFERS	307	96	95				498	10629	11127

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SUB-AREA Malay States

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2			29	8	1	40	992	1032
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	2			29	8	1	40	992	1032
IQB REPORT - TRANSFERS			1				1	1079	1080

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2	2		47	41	2	94	1610	1704
UNROUTED EXCLUSIVE	10	13		288	99	37	447	5134	5581
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	12	15		335	140	39	541	6744	7285
IQB REPORT - TRANSFERS	401	186	78				665	6840	7505

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED					6		6	56	62
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED					6		6	56	62
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	34	27	12	36	3	5	117	859	976
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	29	24	5				58		58
TOTAL ROUTED/UNROUTED	34	27	12	36	3	5	117	859	976
IQB REPORT - TRANSFERS	126	36	24				186	986	1172

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED					1		1	3	4
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED					1		1	3	4
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	38	29	12	112	59	8	258	3520	3778
UNROUTED EXCLUSIVE	10	13		288	99	37	447	5134	5581
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED	48	42	12	400	158	45	705	8654	9359
IQB REPORT - TRANSFERS	527	222	103				852	8905	9757

SUB-AREA Okinawa

502

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

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SUB-AREA Philippine Islands

	ACR-GW									RCA								
	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	35	176	3	35	6	3	258	3076	3334	43	151	19	14	12	7	246	2857	3103
UNROUTED EXCLUSIVE																		
UNROUTED NON-EXCLUSIVE																		
TOTAL ROUTED/UNROUTED																		
IQB REPORT - TRANSFERS	9	116	44				169	8163	8332	1202	1156	228				2586	20278	22864

	TRT									WUI								
	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1		39		3		43	81	124	190	335	72	37	4	14	652	938	1590
UNROUTED EXCLUSIVE																		
UNROUTED NON-EXCLUSIVE																		
UNROUTED - PMS VIA WUI										161	307	44				512		512
TOTAL ROUTED/UNROUTED																		
IQB REPORT - TRANSFERS										382	365	91				838	1084	1922

	FCH									ALL								
	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								5	5	269	662	133	86	25	24	1199	6957	8156
UNROUTED EXCLUSIVE																		
UNROUTED NON-EXCLUSIVE										136	383	4	1786	1198	192	3699	19057	22756
TOTAL ROUTED/UNROUTED										405	1045	137	1872	1223	216	4898	26014	30912
IQB REPORT - TRANSFERS										1593	1637	363				3593	29525	33118

SUB-AREA Siam

503

	ACR-GW									RCA								
	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				17	3	2	22	660	682		1	1	17	9	12	40	972	1012
UNROUTED EXCLUSIVE										13	18		246	43	72	392	4377	4769
UNROUTED NON-EXCLUSIVE																		
TOTAL ROUTED/UNROUTED				17	3	2	22	660	682	13	19	1	263	52	84	432	5349	5781
IQB REPORT - TRANSFERS		1	2				3	704	707	184	76	90				350	5552	5702

	TRT									WUI								
	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			7				7	64	71	27	16	205	28		4	280	536	816
UNROUTED EXCLUSIVE																		
UNROUTED NON-EXCLUSIVE																		
UNROUTED - PMS VIA WUI										21	16	196				233		233
TOTAL ROUTED/UNROUTED			7				7	64	71	27	16	205	28		4	280	536	816
IQB REPORT - TRANSFERS										71	34	212				307	570	877

	FCH									ALL								
	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED								4	4	27	17	213	62	12	18	349	2236	2585
UNROUTED EXCLUSIVE										13	18		246	43	72	392	4377	4769
UNROUTED NON-EXCLUSIVE																		
TOTAL ROUTED/UNROUTED								4	4	40	35	213	301	55	90	741	6613	7354
IQB REPORT - TRANSFERS										255	101	304				660	6826	7486

MESSAGE TABULATION
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SUB-AREA AREA A

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	201	14	28	905	40	124	1312	25965	27277
UNROUTED EXCLUSIVE	12	1		207	36	45	301	3851	4152
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	62	38	606				706	67204	67910

RCA-RCB

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	102	26	36	1145	99	101	1509	26174	27683
UNROUTED EXCLUSIVE	833	229	21	18450	1644	2883	24060	148208	172268
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	18782	2101	3412				24295	148391	222686

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED			864	48		2	914	1359	2273
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5263	821	986	886	44	187	8187	23541	31728
UNROUTED EXCLUSIVE	298	145	4	8484	1130	1058	11119	81706	92825
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	2542	587	568				3697		3697
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	27771	3155	3298				34224	182404	216628

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1	2	1	52	3	1	60	361	421
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

USL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	21	1	5				27	2	29
UNROUTED EXCLUSIVE	10	3	1	264	16	84	378	1081	1459
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	140	20	89				249	1220	1469

504

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	5588	864	1920	3036	186	415	12009	77402	89411
UNROUTED EXCLUSIVE	1153	378	26	27405	2826	4070	35858	234846	270704
UNROUTED NON-EXCLUSIVE	518	200	5	14117	1268	1413	17521	115263	132784
TOTAL ROUTED/UNROUTED	7259	1442	1951	44558	4280	5898	65388	427511	492899
IQB REPORT - TRANSFERS	46755	5314	7405				59474	449219	508693

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA AREA B

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1833	136	41	1042	46	31	3129	20738	23867
UNROUTED EXCLUSIVE	69	95	3	975	453	172	1767	14242	16009
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	247	162	403				812	60003	60815

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	59	1	13	777	32	46	928	12962	13890
UNROUTED EXCLUSIVE	130	7		1549	10	96	1792	4354	6146
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	3468	135	291				3894	30275	34169

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	37	4	437	102	5	9	594	7184	7778
UNROUTED EXCLUSIVE	17	3		394	17	61	492	3194	3686
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	382	34	2				418	18102	18520

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	4181	382	774	763	28	112	6240	13448	19688
UNROUTED EXCLUSIVE	419	74	7	7783	468	950	9701	47151	56852
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	1683	221	213				2117		2117
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	17500	1100	2157				20757	87779	108536

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				2	1		3	25	28
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	6110	523	1265	2686	112	198	10894	54357	65251
UNROUTED EXCLUSIVE	635	179	10	10701	948	1279	13752	68941	82693
UNROUTED NON-EXCLUSIVE	627	40	10	6825	219	439	8160	57233	65393
TOTAL ROUTED/UNROUTED	7372	742	1285	20212	1279	1916	32806	180531	213337
IQB REPORT - TRANSFERS	21597	1431	2853				25881	196159	222040

SUB-AREA AREA C

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	125	269	7	423	93	45	962	17222	18184
UNROUTED EXCLUSIVE	3	3		7	17	5	35	356	391
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	22	134	120				276	26248	26524

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	83	213	111	562	219	93	1281	21325	22606
UNROUTED EXCLUSIVE	217	269	5	4004	1224	632	6351	67387	73738
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	6216	3676	1406				11298	141574	152872

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1		53	9	15	1	79	610	689
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1300	940	753	397	67	107	3564	10794	14358
UNROUTED EXCLUSIVE	2	2		10	19	8	41	259	300
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	736	930	618				2284		2284
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	2539	1198	946				4683	12475	17158

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED				3	1		4	50	54
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1509	1422	924	1394	395	246	5890	50001	55891
UNROUTED EXCLUSIVE	222	274	5	4021	1260	645	6427	68002	74429
UNROUTED NON-EXCLUSIVE	325	698	6	3815	2010	598	7452	54113	61565
TOTAL ROUTED/UNROUTED	2056	2394	935	9230	3665	1489	19769	172116	191885
IQB REPORT - TRANSFERS	8777	5008	2472				16257	180297	196554

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

SUB-AREA ALL AREAS

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	2159	419	76	2370	179	200	5403	63925	69328
UNROUTED EXCLUSIVE	84	99	3	1189	506	222	2103	18449	20552
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	331	334	1129				1794	153455	155249

RCA-RCB

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	244	240	160	2484	350	240	3718	60461	64179
UNROUTED EXCLUSIVE	1180	505	26	24003	2878	3611	32203	219949	252152
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	28466	5912	5109				39487	370240	409727

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	38	4	1354	159	20	12	1587	9153	10740
UNROUTED EXCLUSIVE	17	3		394	17	61	492	3194	3686
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	382	34	2				418	18102	18520

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	10744	2143	2513	2046	139	406	17991	47783	65774
UNROUTED EXCLUSIVE	719	221	11	16277	1617	2016	20861	129116	149977
UNROUTED NON-EXCLUSIVE									
UNROUTED - PMS VIA WUI	4961	1738	1399				8098		8098
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	47810	5453	6401				59664	282658	342322

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1	2	1	57	5	1	67	436	503
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

USL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	21	1	5				27	2	29
UNROUTED EXCLUSIVE	10	3	1	264	16	84	378	1081	1459
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS	140	20	89				249	1220	1469

506

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	13207	2809	4109	7116	693	859	28793	181760	210553
UNROUTED EXCLUSIVE	2010	831	41	42127	5034	5994	56037	371789	427826
UNROUTED NON-EXCLUSIVE	1470	938	21	24757	3497	2450	33133	226609	259742
TOTAL ROUTED/UNROUTED	16687	4578	4171	74000	9224	9303	117963	780158	898121
IQB REPORT - TRANSFERS	77129	11753	12730				101612	825675	927287

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED	1								
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
PREROUTED									
UNROUTED EXCLUSIVE									
UNROUTED NON-EXCLUSIVE									
TOTAL ROUTED/UNROUTED									
IQB REPORT - TRANSFERS									

MESSAGE TABULATION
WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

MARINE (SHORE TO SHIP) MESSAGES

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
EROUTED				6	1		7	136	143
ROUTED EXCLUSIVE	1			24	4		39	905	944
ROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED	1			30	15		46	1041	1087
B REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
EROUTED	2			25	2	2	31	176	207
ROUTED EXCLUSIVE	13	7		375	75	19	489	3140	3629
ROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED	15	7		400	77	21	520	3316	3836
B REPORT - TRANSFERS									

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
EROUTED	1			7			8	42	50
ROUTED EXCLUSIVE				4	2		6	149	155
ROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED	1			11	2		14	191	2a5
B REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
EROUTED	1	2					3	1	4
ROUTED EXCLUSIVE									
ROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED	1	2					3	1	4
B REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
EROUTED									
ROUTED EXCLUSIVE									
ROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED									
B REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
EROUTED	4	2		38	3	2	49	355	404
ROUTED EXCLUSIVE	14	7		403	91	19	534	4194	4728
ROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED	18	9		441	94	21	583	4549	5132
B REPORT - TRANSFERS									

507

SUB-AREA

ACR-GW

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
REROUTED									
NROUTED EXCLUSIVE									
NROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED									
QB REPORT - TRANSFERS									

RCA

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
REROUTED									
NROUTED EXCLUSIVE									
NROUTED NON-EXCLUSIVE									
TAL ROUTED/UNROUTED									
QB REPORT - TRANSFERS									

TRT

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
REROUTED									
NROUTED EXCLUSIVE									
NROUTED NON-EXCLUSIVE									
OTAL ROUTED/UNROUTED									
QB REPORT - TRANSFERS									

WUI

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
REROUTED									
NROUTED EXCLUSIVE									
NROUTED NON-EXCLUSIVE									
OTAL ROUTED/UNROUTED									
QB REPORT - TRANSFERS									

FCH

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
REROUTED									
NROUTED EXCLUSIVE									
NROUTED NON-EXCLUSIVE									
OTAL ROUTED/UNROUTED									
QB REPORT - TRANSFERS									

ALL

	NY	SF	WN	NY	SF	WN	NSW	OTR	ALL
REROUTED									
NROUTED EXCLUSIVE									
NROUTED NON-EXCLUSIVE									
OTAL ROUTED/UNROUTED									
QB REPORT - TRANSFERS									

WESTERN UNION OUTBOUND INTERNATIONAL DESTINATION STATISTICS FCC DOCKET NO. 19660

UNROUTED MESSAGES PROCESSED AT MINNEAPOLIS

SUB-AREA	ACR/GW	RCA	TRT	WUI	OTHER	ALL
BELGIUM		2,473		3,036		5,509
FRANCE	7,820	1,848		17,204		26,872
GERMANY	12,738	4,416		22,915		40,069
HOLLAND		3,044		4,993		8,037
ITALY	5,601			24,003		29,604
NORWAY		2,640		1,538		4,178
CZECHOSLOVAKIA		322		61		383
GREECE	4,234	787		4,773		9,794
HUNGARY	1,429	350				1,779
ROUMANIA	142	433		8		583
YUGOSLAVIA		1,040		1,965		3,005
GROUP 3		84		237		321
AREA A	31,964	17,437		80,733		130,134
CUBA	8,521			15,924		24,445
PUERTO RICO	6,368			7,593		13,961
OTHER WEST INDIES	1,099			4,431		5,530
COLOMBIA	521	668	5,733			6,922
ECUADOR & VENEZUELA	3,410	9,461				12,871
AREA B	19,919	10,129	5,733	27,948		63,729
HAWAII	2,478	10,895				13,373
MIDWAY & WAKE ISLANDS		1				1
SAMOA: BRITISH	35				18	53
SO. PACIFIC IS.: BRITISH					550	550
AUSTRALIA & NEW ZEALAND		19,576			4,735	24,311
PHILIPPINE ISLANDS	2,618	19,677				22,295
AREA C	5,131	50,149			5,303	60,583
ALL AREAS	57,014	77,715	5,733	108,681	5,303	254,446

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of

International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.

Docket No. 19660
RM-690

SUPPLEMENTAL COMMENTS

RCA Global Communications, Inc. (RCA Globcom) hereby submits these supplemental comments on the issue of whether the existing formula under which distribution of outbound international telegrams is made is unjust, unreasonable, and inequitable, or not in the public interest. These comments are submitted in response to the Commission's Memorandum Opinion and Order of May 28, 1975 (FCC 75-617) which provided that the interested international carriers could supplement earlier submissions on the formula question in light of the completion of the statistical study performed by The Western Union Telegraph Company (Western Union) showing the exact distribution of all routed and unrouted international traffic originating on its system.

The main purpose for the Western Union statistical study was to provide a data base which would enable the

Commission to have before it sufficient reliable information so that it could take into account the effects on the international carriers of any proposed change in the formula before it acted. Thus RCA Globcom's concern when it first suggested the need for such a study was that changes in the formula such as suggested by ITT World Communications Inc. (ITT) and TRT Telecommunications Corporation (TRT) would upset the basic theory on which the formula was based and lead to a very large and arbitrary shift of revenues from one or more carriers to other carriers without giving any concommitant benefit whatsoever to the public through improved service or lower rates. It was felt by RCA Globcom, and the Commission apparently agreed, that a data base permitting evidence on the effect on the carriers of a change in the formula was an integral part of the information it needed before it could make any determination that the public interest required the original formula to be changed.

As can be seen from the attachments to these comments, RCA Globcom has made a thorough analysis, using the Western Union derived data, to compile an accurate summary of the effects of the ITT and TRT proposal on RCA Globcom. This analysis and the associated comments show that both proposals for redistributing the unrouted traffic suffer from serious defects which render them unsuitable as a basis for a change in the formula even under the assumption that the Commission found a public interest basis for the revision of the original formula.

RCA Globcom is also again asserting its right to have an oral, evidentiary hearing in the event that the Commission determines the existing formula should be changed. As detailed below, this question is of such a far-reaching significance to the public and the carriers that the Commission should not act until it has sufficient expert testimony as to the benefits and detriments of all proposals.

The ITT Proposal

The ITT proposal would have all the unrouted traffic distributed to the international carriers having direct circuits to a country in proportion to the number of routed messages each carrier received from Western Union. Aside from the fundamental flaw that this method of distribution would inevitably increase sales expense of the carriers without benefit to the public, the ITT proposal is unworkable since it does not consider that many countries are not served by direct circuits and fails to adequately define a direct circuit. As shown in attachment 4, over 103 destinations, to which 43,087 messages were sent during the 13-week study, are not served directly. Thus, for these countries, the ITT proposal would not provide a method of distribution for the 173,011 unrouted messages annually available.

As a result of this failure to specify the manner in which all unrouted traffic would be distributed, it was not possible to show the total effect of the ITT proposal on RCA Globcom. However, as shown on attachment 2, if the ITT proposal were to be implemented, the redistribution of existing traffic, with the exception of the traffic to those countries just noted, would result in a gross international tolls (GIT) loss to RCA Globcom of approximately $1,990,595 per year. Of course, this loss in revenue is based only on the routed and unrouted outbound traffic figures derived from the Western Union study. It does not include a consequent decrease in revenue from the loss of an approximately equal amount of inbound traffic. The Commission must expect that in view of the magnitude of this loss to RCA Globcom, a very heavy increase in sales effort would be made by it to secure additional direct routings in the hope of offsetting the loss.

But in addition to this incentive for increased sales effort by RCA Globcom, the "multiplier" nature of the ITT proposal, i.e. the large unrouted telegram pool distributed in proportion the routed traffic secured by a carrier, would by itself generate additional sales effort by all the carriers. The consequent rapidly escalating selling costs on the part of the IRCs would in due course greatly impact the telegram using public. The results of the multiplier effect of the ITT proposal can best be understood by examining the amount of revenues that would be open to solicitation by the IRCs and the nature of the costs that would be incurred by them in handling the traffic originated by Western Union.

As to revenues, based on the Western Union 13-week study and other statistical source material available to the Commission, it is estimated that the IRCs interchange about 6.6 million telegrams annually with Western Union and receive about $10.3 million in annual revenues therefrom. The outbound routed traffic is estimated to be 842,000 telegrams:

	Telegrams		Estimated
Outbound	Number	%	IRC Revenues*
Routed	842,000	13	$ 1,305,000
Unrouted	2,740,000	41	4,552,000
Subtotal	3,582,000	54	$ 5,552,000
Inbound	3,051,000	46	4,729,000
Total	6,633,000	100	$10,281,000

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*This revenue calculation is based upon an assumed average U.S.

(continued on next page)

As the table shows, there are now more than three unrouted outbound telegrams for each routed outbound telegram.

In this connection, it should also be noted that most overseas administrations return traffic to the United States IRCs more or less in proportion to the traffic they receive from the United States IRCs. Even in those few cases where the U.S. carriers have their own overseas offices, the long recognized "message for a message" theory generally prevails, meaning that it is easier for a carrier serving both ends to solicit the return traffic from an addressee if it delivers the original to him.

The combination of the fact that each routed message brings with it three or more unrouted messages and the fact that inbound traffic largely follows the carriers' proportion of total outbound traffic produces the multiplier effect, so that the revenue benefit from securing a single routed message is generally seven or eight times the revenue from that

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(continued from preceeding page)

revenue of $3.80 per telegram of which WUD receives approximately $2.25 (9.5¢ basis) and the IRCs receive the balance. For the purpose of this table, it is assumed that the average U.S. revenue of the IRCs is $1.55 per telegram interchanged with WUD for both directions combined, although it is probable that subsequent to the recent devaluations of the U.S. dollar, the IRCs retain somewhat less than $1.55 per outbound telegram and receive somewhat more than that per inbound telegram.

single message.

On the cost side, an understanding of the handling of outbound messages originating on the Western Union system is necessary. After the initial acceptance of a message is performed by Western Union, the transfer of the messages to the IRCs is made on an electrical basis. The receipt and retransmission of this traffic by the IRCs is highly automated through the use of computer switches and various transmission facilities.* The IRCs provide extensive and costly plant such as computer switching, cable and satellite facilities and accordingly their part in the overall acceptance-to-delivery process applicable to telegrams originated or terminated by Western Union is highly capital instensive with relatively little variable operating costs per message.

The following crucially important conclusion stands out from the foregoing discussion. In terms of classical textbook economics, a given IRC's solicitation efforts would quickly tend to expand until the marginal solicitation cost expended per routed message received from Western Union approached the total revenue that the IRC received not only from that routed message but also from up to six or seven additional outbound and inbound messages. This is so since the variable operating costs per message are minimal and the potential revenue increase through the multiplier effect is as described above.

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*Of course, for messages originating with the IRCs the initial handling is performed by them rather than by Western Union and such carriers bear the acceptance costs incurred.

Of course, an IRC may be constrained in its selling effort to some extent by the assumption that its competitors would also be increasing their own selling efforts, but there is now no way of knowing at what point such a constraint would develop if at all. It may be noted from the table above that the total revenue now received by all of the IRCs from routed outbound telegrams originated by Western Union is only about $1.3 million annually. However, it is vitally important to consider that even under the present formula, which intentionally discourages excessive solicitation, the amount spent by the IRCs for solicitation of routings probably exceeds their total revenue of $1.3 million from routed outbound traffic. If the IRCs are now apparently willing to spend approximately as much on soliciting routed outbound traffic as the entire revenue they now receive from such traffic, how much more could the Commission expect they would spend on solicitation if it condoned the multiplier principle and thereby caused the entire $10.3 million annual revenue pool to be distributed more or less in proportion to solicitation effort?

We believe it is very important for the Commission to realize that the adoption of the ITT proposal with its irrational multiplier effect, which would lead to rampant and costly solicitation effort as described above, would be without precedent in all regulated industry practice. Clearly such a radical departure from traditional regulatory concepts should not be made without every assurance that such action will not have an adverse effect on the public.

We believe that this again demonstrates the validity of the user-oriented logic of the original formula. As noted in prior comments, the Commission recognized that the formula would create a certain disincentive to undue solicitation effort for routed traffic. Thus it stated in the Western Union Merger Proceeding that the combination of routed, unrouted, and self-originating traffic

> diminishes the incentive of the international carriers to expend effort and revenues in attempts to divert traffic from each other by solicitation efforts which may not improve quality of service; and it also diminishes the necessity for these carriers to build up additional facilities for the collection of their own traffic, in duplication of existing facilities of the merged company. These savings should contribute to a more efficiently and economically operated international telegraph system. 10 FCC 184, 191 (1943).

While the Commission wisely wrote this over thirty years ago, the basic finding that the savings would contribute to a more efficient and economical telegraph system remains as true today as in 1943 and has not been refuted by ITT or TRT.

TRT Proposal

TRT has submitted two different proposals. First, it states that the most equitable method of distribution would be to divide all unrouted traffic equally among all the carriers tariffed to serve a given destination. Second, it apparently recommends that, as an alternative, the unrouted traffic should be distributed among those carriers tariffed to serve a given location in proportion to the routed traffic originating on the Western Union system received by a carrier.*

As to the first alternative, we believe that its so obvious that the method was selected only to benefit TRT, that serious attention need not be paid to it. It would be most inequitable to give TRT an equal share of the telegram traffic to all locations in view of its very small present or historical volumes to those places. Indeed, such a method would constitute an outright windfall to that carrier without any justification. Moreover, not only would such a proposal provide TRT with a bonanza of unrouted traffic but would also ostensibly give other limited franchise carriers as United States-Liberia Radio Corporation and French Telegraph Cable Company the same right also to get an equal share of the unrouted traffic.

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*It is not clear from the TRT comments whether it meant to exclude from the second option those routed messages originating on the Western Union system in gateway cities or to exclude such messages. Taken as a whole, its three rounds of comments appear to support the former interpretation and accordingly our calculations have used this approach.

The second TRT alternative, while appearing to be a slight modification of the ITT plan, is considerably different. In fact, it would give any carrier tariffed to serve a given location, unrouted traffic in proportion to the routed traffic originating with Western Union handled by that carrier. As compared with ITT's suggestion, the modification by TRT would, in addition to presenting the incentive for excessive sales expenditures, acts against the interests of the United States carriers as a whole since carriers with indirect circuits would retain proportionately less revenue than those with direct circuits. Inasmuch as traffic sent via indirect routes requires a greater out-payment to the foreign correspondents than with identical traffic via direct circuits, the more traffic that is artificially designated to go to a carrier without a direct route, the greater would be the loss to the United States, the international record carrier industry, and the telegram filers.

RCA Globcom estimates it would lose approximately $3,000,000 of outbound GIT per year under the TRT plan. Thus we submit that the Commission should if it makes any change in the existing formula, refrain from modifications which would operate in the manner just described.

Office of Telecommunications Draft Report

While the above suggestions are the only ones raised to date formally by any of the carriers interested in the formula, it should be noted that a draft report prepared by the Policy Support Division of the Office of Telecommunications, U. S. Department of Commerce* (OT), which was distributed to the international carriers, recommended that the Commission require all traffic originating on the Western Union system be routed by the sender. This proposal would eliminate the unrouted traffic by forcing the originator of a telegram to select an international carrier.

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*The OT report is prefaced by the following notation:

> These papers result from a continuing effort to maintain total awareness of activities of interest to, of affecting, telecommunications, and to explore all alternatives to present and contemplated systems and issues. They are reproduced to stimulate discussion of new ideas, to provide data, or to supply background information about various topics related to telecommunications and telecommunications policy. They do not necessarily represent completed studies or official positions, either of the authors, the Policy Support Division, the Office

(continued on next page)

In addition to creating all of the same problems with respect to mounting sales expense which would soon increase rate levels, the proposal would provide an unjustified advantage to Western Union International, Inc. by virtue of the similarity of names between Western Union and Western Union International. In the period since the divestment and the attendant formation of Western Union International, we have routinely and repeatedly experienced a condition in the U.S. communications marketplace of customer confusion with respect to the separation of the organizations bearing the Western Union name.

The existence of confusion in the minds of customers and their inability to differentiate between Western Union International and the domestic company was substantiated by a market survey undertaken in January 1973 for RCA Global Communications, Inc. by Palshaw Measurement, Inc. of Southport, Connecticut. The survey was conducted among 1031 telex operators and communications managers in the gateway cities of New York, San Francisco and Washington, D.C., in the non-gateway cities of Boston, Chicago and Los Angeles and in 15 other non-gateway cities in order to test the respondents'

(continued from previous page)

of Telecommunications, Department of Commerce, or the Office of Telecommunications Policy. Instead they are working papers representing the current views of the responsible research team leaders awareness and attitudes toward three leading international telex carriers.

Tabulated results of the survey indicated that half (49%) of those respondents who said that "Western Union" was the carrier they used claimed that they meant the international carrier, but 40% didn't know whether it was the domestic or international carrier, 6% felt it meant both domestic and international carrier and 4% felt that it meant only domestic carrier notwithstanding that the original question addressed itself to international carriers only.

This difficulty experienced by the U. S. communicating public in differentiating between the domestic and international Western Union companies is fostered by the less than specific identification practices used by the domestic company for labeling its many thousands of customer telex machines. The photograph appendix as Attachment 11 shows a typical customer's machine. The face plate simply reads "Western Union." The side saddle paper is printed "Western Union Telex Service," the dial plate shows "WU Telex" and the service plate is headed "Western Union Telex."

The extent to which public confusion over the Western Union/Western Union International names impacts telex routings is indicated by the higher levels of participation in hinterland telex originations enjoyed by Western Union International. Based on information and belief, Western Union International received approximately 38% of international telex traffic originated in the Western Union telex system in June 1974. In the same period, ITT received 31% of this traffic while RCA Globcom received 29%.

The foregoing situation exists notwithstanding the facts that (a) Western Union International was by no means the first carrier to enter the international telex market, (b) Western Union International's marketing and advertising expenses are not siginficantly higher than those of either ITT or RCA Globcom and (c) Western Union International's scope of telex operations (overseas points served) is not the largest in the industry.

Western Union International may argue that it enjoys its larger share of the Western Union Telex market because of claimed superior service. In this connection, it should be noted that Western Union International, with the same quality of service, provides only about 22% of the total international volume, a point that strongly establishes that it would be grossly unfair to bestow on Western Union International the benefits of forced routing of internal telegrams.

It is not unreasonable to conclude, therefore, that public confusion vis-a-vis the Western Union name benefits Western Union International in the Western Union segment of the international telex marketplace. It is also reasonable to suggest that a similar benefit extends to Western Union International in the hinterland telegram market and, further, that this benefit would be greater if the International formula was abolished and all overseas telegrams had to be routed by the sender.

The impact of the suggested OT alternative to the existing formula must be viewed in the light of an accurate understanding of the hinterland telegram market place. During the period June 23 through 27, 1975, RCA Globcom made an analysis of all routed and unrouted telegrams transferred to it by Western Union. The results of this analysis showed that 57% of the unrouted traffic was of a social character. All of this traffic carried full addresses (not registered code addresses) and full or no signatures. All messages were filed either by telephone (96%) or at Western Union public offices (4%). None were filed by telex or TWX.

The "social" segment of the marketplace is characterized by occasional and infrequent use of telegram service. Aside from its geographic dispersion, most of the social filers of telegrams do not use the service with sufficient frequency to form opinions as to the relative merits of the competing international services nor are they likely to be particularly interested in the fact that there are competing services.

Another pertinent finding of the previously-mentioned Palshaw Survey established (a) that slightly more than half of the telex operators surveyed were under 30 years of age and (b) that there appeared to be a high turnover among telex operators with the highest percentage having less than one year of experience and the weighted average number of years of service being 2.8. This finding suggests a need repeatedly to re-sell and re-educate hinterland customer staff whose unawareness of any carrier other than Western Union keenly determines the routing of both overseas telex and telegram traffic.

It must be recognized that the Commission in prescribing the formula has a definite obligation to avoid confusion arising in the minds of the public as to the carrier actually carrying its messages. Thus in the Western Union Divestment Case the Commission stated that "it would be inconsistent with our function as administrators of the act to permit circumstances to arise under which the public may be misled as to the carrier to which it entrusts its communications, particularly since this could operate to deprive competing carriers of traffic they might otherwise receive." 30 FCC 323, 344 (1961). Forcing filers to route all telegrams would by itself unfairly deprive RCA Globcom of traffic because of the confusion in the filer's mind between Western Union International and Western Union, especially in the hinterland.

REQUEST FOR ORAL, EVIDENTIARY HEARING

RCA Globcom has previously stated to the Commission that Section 222 (e) (3) requires that any change in the formula can be made only after the requirement for a "full hearing" has been satisfied by means of an oral, evidentiary hearing. See for example, RCA Globcom's letter to the

Commission dated January 15, 1974. In our later comments in this proceeding, we had stated it appeared that the completion of the Western Union statistical study would provide a sufficient factual basis to enable the Commission to proceed with a paper proceeding rather than an oral, evidentiary one. However, the very far reaching significance of the proceeding on the rates to the public and the effects on the carriers from any serious consideration which might be given either the ITT or TRT proposals now requires RCA Globcom to again assert its right to a full hearing. At such a hearing, RCA Globcom would intend to show, among other things, through expert economic, financial and marketing testimony the effect of the proposals suggested by ITT and TRT, as well as the OT draft report. We submit that only through an oral presentation tested by on-the-record cross-examination will the full significance of this essential testimony be made explicitly clear to the Commission. Without this full hearing, RCA Globcom and even more importantly the public will be denied the due process protection given by the statutory requirements of Section 222.

Information Submitted

In order for the Commission to make a complete evaluation of the ITT and TRT proposals, as well as supply the traffic statistics requested in the Commission's order, RCA Globcom is submitting the following information:

Attachment 1 - Affidavit Of E.W. Peterson

Attachment 2 - ITT Plan, Gain Or Loss To RCA Globcom

Attachment 3 - ITT Plan, Redistribution Of Unrouted Transfers

Attachment 4 - Destinations With No Direct Circuits

Attachment 5 - Routed Messages For Destinations With No Direct Circuits For Individual Carriers

Attachment 6 - Routed Messages For Destinations With No Direct Circuits For Any U.S. Carrier

Attachment 7 - TRT Plan, Gain Or Loss To RCA Globcom

Attachment 8 - TRT Plan, Redistribution Of Unrouted Transfers

Attachment 9 - Messages Filed Directly With RCA Globcom By Destination

Attachment 10 - Source Of Messages Filed Directly With RCA Globcom

Attachment 11 - Photograph Of A Western Union Teleprinter

Attachment 12 - Affidavit Of R. J. Angliss

CONCLUSION

RCA Globcom again urges the Commission to find that ITT and TRT have not shown that the existing formula is unjust, unreasonable, inequitable, and not in the public interest. Instead they have merely put forth proposals which will have such serious impact on the public that they could not possibly meet the statutory standards in Section 222 of the Communications Act. As shown above, the ITT and TRT proposals fail to meet these criteria inasmuch as they were designed only to benefit those carriers without consideration as to any public benefits they might have.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

s/ Francis J. DeRosa

s/ Carl J. Cangelosi

Its Attorneys
60 Broad Street
New York, New York 10004

August 1, 1975

CERTIFICATE OF SERVICE

I, Mary S. Ruedi, hereby certify that on this 1st day of August, 1975, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

Walter R. Hinchman
John F. Copes, Esq.
Federal Communications Commission
Washington, D.C. 20554

John H. Munroe
International Quota Bureau
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New York, New York 10004

John A. Ligon, Esq.
ITT World Communications Inc.
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New York, New York 10004

Roger P. Newell, Esq.
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William English, Esq.
Comsat General Corporation
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Washington, D.C. 20024

s/ Mary S. Ruedi

Attachment 1

533

AFFIDAVIT OF EDWIN W. PETERSON

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Edwin W. Peterson, being duly sworn, upon oath deposes and states as follows:

I am Executive Vice President, Finance and Business Development, of RCA Global Communications, Inc. (RCA Globcom). As such I have responsibility for all of the financial matters of RCA Globcom. I am familiar with the statements of fact set forth in the foregoing "Supplemental Comments" with the exception of that part dealing with the draft proposal of the Office of Telecommunications, U.S. Department of Commerce. To the best of my knowledge they are true and correct.

Edwin W Peterson
Edwin W. Peterson

Subscribed and sworn to before me this 29th day of July, 1975.

Charles W Lehrhaupt
Notary Public

CHARLES [illegible]
NOTARY PUBLIC, STATE OF NEW YORK
No. 41-7478680
Qualified in Richmond County
Commission Expires March 30, 19

CHARLES [illegible]
NOTARY PUBLIC, STATE OF NEW YORK
No. 41-7478680
Qualified in Richmond County
Commission Expires March 30, 1976

My Commission expires:

____

ITT PLAN

GAIN OR (LOSS) TO RCA GLOBCOM BASED ON 13 WEEK WUD STUDY

	No. of Telegrams	Gross International Tolls
Area A	(29,034)	(203,244)
B	11,107	49,697
C	(58,849)	(342,190)
Total	(76,776)	(495,737)
*Annualized	(308,285)	(1,990,595)

*Annualized at 52.2 weeks per year.

ITT PLAN

Unrouted distributed to those carriers with direct circuits only

on the basis of percentage participation of routed WUI transfers.

AREA A	ROUTED TRANSFERS AND PERCENT OF TOTAL											REDISTRIBUTION OF UNROUTED				
	TOTAL ROUTED	ITT		RCA GLOBCOM		TRT		WUI		OTHER	TOTAL UNROUTED					
		MSG	%	MSG	%	MSG	%	MSG	%	MSG	%		ITT	RCA	TRT	WUI	OTHER
Algeria	200	42	21	77	38	-	-	81	41	-	-	377	79	143	-	155	-
Austria	700	206	29	180	26	-	-	314	45	-	-	4 450	1 291	1 157	-	2 002	-
Belgium	1 934	622	32	484	25	-	-	828	43	-	-	5 509	1 763	1 377	-	2 369	-
Bangladesh	234	-	-	234	100	-	-	-	-	-	-	1 188	-	1 188	-	-	-
Czechoslovakia	82	-	-	25	30	-	-	57	70	-	-	383	-	115	-	268	-
Denmark	828	309	37	203	25	-	-	316	38	-	-	4 152	1 536	1 038	-	1 578	-
Egypt	1 401	412	30	538	38	-	-	451	32	-	-	4 625	1 388	1 757	-	1 480	-
Finland	418	139	33	122	29	-	-	157	38	-	-	1 849	610	536	-	703	-
France	5 216	1 727	33	1 365	26	-	-	2 124	41	-	-	26 872	8 868	6 987	-	11 017	-
Germany	5 829	1 866	32	1 730	30	-	-	2 233	38	-	-	40 069	12 822	12 021	-	15 226	-
Greece	1 546	417	27	402	26	-	-	727	47	-	-	9 794	2 644	2 547	-	4 603	-
Hungary	122	47	39	75	61	-	-	-	-	-	-	1 779	694	1 085	-	-	-
India	3 450	1 476	43	1 974	57	-	-	-	-	-	-	34 336	16 764	19 572	-	-	-
Iran	3 789	1 022	27	1 764	47	-	-	1 003	26	-	-	9 129	2 465	6 291	-	2 373	-
Ireland	545	149	27	148	27	-	-	248	46	-	-	7 0 7	1 911	1 911	-	3 255	-
Israel	2 112	654	31	664	31	-	-	794	38	-	-	16 039	4 972	4 972	-	6 095	-
Italy	6 240	1 918	31	1 589	25	101	2	2 632	42	-	-	29 604	9 177	7 401	592	12 434	-
Ivory Coast	155	37	24	87	56	-	-	31	20	-	-	308	76	172	-	62	-
Jordan	242	66	27	96	40	-	-	80	33	-	-	902	243	361	-	298	-
Lebanon	1 364	454	33	537	40	-	-	373	27	-	-	4 751	1 568	1 900	-	1 283	-
Liberia	155	-	-	126	81	-	-	-	-	29	19	1 459	-	1 182	-	-	277
Luxembourg	51	11	22	17	33	-	-	23	45	-	-	132	29	44	-	59	-
Morocco	232	46	20	106	46	-	-	80	34	-	-	827	165	381	-	281	-
Netherlands	2 005	626	31	595	30	-	-	784	39	-	-	8 037	2 492	2 411	-	3 134	-
Norway	1 034	361	35	350	33	-	-	333	32	-	-	4 178	1 462	1 379	-	1 337	-
Pakistan	1 152	-	-	1 152	100	-	-	-	-	-	-	7 153	-	7 153	-	-	-
Poland	129	-	-	129	100	-	-	-	-	-	-	5 511	-	5 511	-	-	-
Portugal	880	282	32	294	33	-	-	304	35	-	-	2 499	800	826	-	874	-
South Africa (Rep.)	2 300	1 118	49	1 182	51	-	-	-	-	-	-	7 660	3 753	3 907	-	-	-
Spain	3 588	1 244	35	1 098	30	-	-	1 246	35	-	-	11 442	4 005	3 432	-	4 005	-
Sweden	1 724	565	33	553	32	-	-	606	35	-	-	7 836	2 586	2 507	-	2 743	-
Switzerland	2 454	739	30	726	30	-	-	991	40	-	-	14 756	4 427	4 427	-	5 902	-
Tunisia	166	49	29	71	43	-	-	46	28	-	-	359	104	154	-	101	-
Turkey	1 469	588	40	881	60	-	-	-	-	-	-	3 177	1 271	1 906	-	-	-
U.S.S.R.	794	170	22	273	34	-	-	351	44	-	-	5 149	1 133	1 731	-	2 265	-
United Kingdom	13 154	4 507	34	3 125	24	-	-	5 522	42	-	-	81 298	27 641	19 512	-	34 163	-
Vatican City	NIL			-	-	-	-	-	-	-	-	50	-	50	-	-	-
Yugoslavia	598	187	31	155	26	-	-	256	43	-	-	3 005	932	781	-	1 292	-
Zaire	92	-	-	92	100	-	-	-	-	-	-	497	-	497	-	-	-
Totals	68 394	22 036		23 217		101		12 991		29		368 217	117 649	128 340	592	121 339	277

AREA A	GAIN OR (LOSS) IN MESSAGES					DEC.-FEB. AVERAGE G.I.T. PER MESSAGE FOR TRANSFERS ONLY		GAIN OR (LOSS) IN G. I. T. $				
	ITT	RCA GLOBCOM	TRT	WUI	OTHER	SUBAREA	AVG. 1/ MSG	ITT	RCA GLOBCOM	TRT	WUI	OTHER
Algeria	79	(234)	-	155	-	Bey Cont.	5.63	445	(1 318)	-	873	-
Austria	1 291	1 157	-	(2 448)	-	Austria	3.85	4 970	4 454	-	(9 424)	-
Belgium	1 763	(1 096)	-	(667)	-	Belgium	5.12	9 027	(5 612)	-	(3 415)	-
Bangladesh	-	-	-	-	-	Bey. Cont.	5.63	-	-	-	-	-
Czechoslovakia	-	(207)	-	207	-	Czechoslovakia	3.44	-	(712)	-	712	-
Denmark	(2 616)	1 038	-	1 578	-	Denmark	4.33	(11 328)	4 495	-	6 833	-
Egypt	1 388	(2 868)	-	1 480	-	Bey Cont.	5.63	7 816	(16 146)	-	8 332	-
Finland	610	(1 313)	-	703	-	Cont.	4.38	2 672	(5 751)	-	3 079	-
France	1 048	5 139	-	(6 187)	-	France	4.50	4 716	23 126	-	(27 842)	-
Germany	84	7 605	-	(7 689)	-	Germany	4.31	362	32 778	-	(33 140)	-
Greece	(1 590)	1 760	-	(170)	-	Greece	3.31	(5 263)	5 826	-	(563)	-
Hungary	(735)	735	-	-	-	Hungary	3.12	(2 293)	2 293	-	-	-
India	14 764	(14 764)	-	-	-	Bey. Cont.	5.63	83 121	(83 121)	-	-	-
Iran	2 465	(6 838)	-	2 373	-	Bey. Cont.	5.63	13 878	(27 238)	-	13 360	-
Ireland	1 911	1 911	-	(3 822)	-	UK-EIRE	3.60	6 880	6 880	-	(13 760)	-
Israel	4 972	(11 067)	-	6 095	-	Bey. Cont.	5.63	27 992	(62 307)	-	34 315	-
Italy	3 578	7 401	592	(11 569)	-	Italy	4.05	14 483	29 974	2 398	(46 853)	-
Ivory Coast	74	(136)	-	62	-	Bey. Cont.	5.63	417	(766)	-	349	-
Jordan	243	(541)	-	298	-	Bey. Cont.	5.63	1 368	(3 046)	-	1 678	-
Lebanon	1 568	(2 851)	-	1 283	-	Bey. Cont.	5.63	8 828	(16 051)	-	7 223	-
Liberia	-	1 182	-	-	(1 182)	Liberia	4.48	-	5 295	-	-	(5 295)
Luxembourg	29	9	-	(38)	-	Luxembourg	4.56	132	41	-	(173)	-
Morocco	165	(446)	-	281	-	Bey. Cont.	5.63	929	(2 511)	-	1 582	-
Netherlands	2 492	(633)	-	(1 859)	-	Netherlands	4.05	10 093	(2 564)	-	(7 529)	-
Norway	1 462	(1 261)	-	(201)	-	Norway	4.20	6 140	(5 296)	-	(844)	-
Pakistan	-	-	-	-	-	Bey. Cont.	5.63	-	-	-	-	-
Poland	-	-	-	-	-	Poland	3.82	-	-	-	-	-
Portugal	800	(1 674)	-	874	-	Cont.	4.38	3 504	(7 332)	-	3 828	-
South Africa (Rep.)	3 753	(3 753)	-	-	-	Bey. Cont.	5.63	21 129	(21 129)	-	-	-
Spain	4 005	(8 010)	-	4 005	-	Cont.	4.38	17 542	(35 084)	-	17 542	-
Sweden	2 586	(5 329)	-	2 743	-	Cont.	4.38	11 327	(23 341)	-	12 014	-
Switzerland	4 427	(10 329)	-	5 902	-	Cont.	4.38	19 390	(45 241)	-	25 851	-
Tunisia	106	(205)	-	101	-	Bey. Cont.	5.63	386	(1 155)	-	369	-
Turkey	1 271	(1 271)	-	-	-	Bey. Cont.	5.63	7 156	(7 156)	-	-	-
U.S.S.R.	1 133	(3 398)	-	2 265	-	Cont.	4.38	4 963	(14 884)	-	9 921	-
United Kingdom	27 641	19 512	-	(47 153)	-	UK-EIRE	3.60	99 508	70 243	-	(169 751)	-
Vatican City	-	-	-	-	-	Cont.	4.38	-	-	-	-	-
Yugoslavia	932	(259)	-	(673)	-	Yugoslavia	3.43	3 196	(888)	-	(2 308)	-
Zaire	-	-	-	-	-	Bey. Cont.	5.63	-	-	-	-	-
Totals	81 695	(29 034)	592	(52 071)	(1 187)			373 684	(303 244)	2 398	(167 543)	(5 295)

1/ Based on $.095 landline division per full rate word.

ITT PLAN

Attachment 5, Page 2 of 3

AREA 8

	ROUTED TRANSFERS AND PERCENT OF TOTAL											
	TOTAL ROUTED	ITT		RCA GLOBCOM		TRT		WUI		OTHER		TOTAL UNROUTED
		MSG	%	MSG	%	MSG	%	MSG	%	MSG	%	
Argentina	3 173	1 124	35	667	21	-	-	1 382	44	-	-	8 563
Bahamas	477	230	48	-	-	247	52	-	-	-	-	2 940
1) Barbados	3 220	1 007	31	772	24	-	-	1 441	45	-	-	10 138
Bolivia	994	408	41	185	19	-	-	401	40	-	-	3 001
Brazil	8 749	2 968	34	2 185	25	759	9	2 837	32	-	-	13 856
Chile	1 964	825	42	463	24	-	-	676	34	-	-	3 302
Colombia	4 144	1 779	43	800	19	691	17	874	21	-	-	6 922
Costa Rica	1 140	476	42	392	34	272	26	-	-	-	-	2 400
Cuba	2 410	807	33	61	3	12	1	1 530	63	-	-	24 445
Dominican Republic	1 896	869	46	378	20	-	-	649	34	-	-	3 054
Ecuador	3 354	1 583	47	657	20	254	7	860	26	-	-	5 635
French Antilles	262	-	-	262	100	-	-	-	-	-	-	850
Guatemala	2 177	787	36	476	22	494	23	420	19	-	-	3 763
Haiti	665	431	65	234	35	-	-	-	-	-	-	3 048
Honduras	625	-	-	220	35	405	65	-	-	-	-	2 119
Jamaica	2 518	616	24	536	21	446	18	920	37	-	-	6 943
Netherlands Antilles	1 580	634	40	610	39	-	-	336	21	-	-	3 074
Nicaragua	1 576	548	35	304	19	366	23	358	23	-	-	2 811
2) Panama	2 176	711	33	412	19	564	26	489	22	-	-	2 653
Paraguay	61	-	-	61	100	-	-	-	-	-	-	503
Peru	1 688	941	56	-	-	-	-	747	44	-	-	4 935
Puerto Rico	6 909	2 856	41	1 688	22	520	7	2 045	30	-	-	13 961
Salvador	1 263	583	46	322	26	-	-	358	28	-	-	2 262
Surinam	133	-	-	133	100	-	-	-	-	-	-	453
Venezuela	4 113	1 955	47	1 055	26	-	-	1 103	27	-	-	7 236
Totals	37 267	22 130		12 673		3 030		17 426				130 067

	REDISTRIBUTION OF UNROUTED					GAIN OR LOSS				
	ITT	RCA GLOBCOM	TRT	WUI	OTHER	ITT	RCA GLOBCOM	TRT	WUI	OTHER
Argentina	2 997	1 798	-	3 768	-	2 997	1 798	-	(4 795)	-
Bahamas	1 411	-	1 529	-	-	1 411	-	(1 411)	-	-
1) Barbados	3 143	2 433	-	4 562	-	3 143	2 433	-	(5 576)	-
Bolivia	1 230	570	-	1 201	-	1 230	570	-	(1 800)	-
Brazil	4 711	3 464	1 247	4 434	-	4 711	3 464	1 247	(9 422)	-
Chile	1 387	792	-	1 123	-	1 387	792	-	(2 179)	-
Colombia	2 976	1 319	1 177	1 454	-	2 435	647	1 177	(4 279)	-
Costa Rica	1 008	816	576	-	-	(1 392)	816	576	-	-
Cuba	8 067	733	245	15 400	-	(454)	733	245	(526)	-
Dominican Republic	1 405	611	-	1 038	-	1 405	(2 443)	-	1 038	-
Ecuador	2 649	1 127	394	1 465	-	1 120	(2 979)	394	1 465	-
French Antilles	-	850	-	-	-	(170)	850	-	(680)	-
Guatemala	1 355	820	865	715	-	(1 408)	828	865	715	-
Haiti	1 981	1 067	-	-	-	1 981	(1 981)	-	-	-
Honduras	-	742	1 377	-	-	(2 119)	742	1 377	-	-
Jamaica	1 666	1 458	1 250	2 569	-	1 666	1 458	1 250	(4 374)	-
Netherlands Antilles	1 230	1 199	-	645	-	622	1 199	-	(1 821)	-
Nicaragua	984	534	647	646	-	(1 827)	534	647	646	-
2) Panama	873	504	690	584	-	(1 778)	504	690	584	-
Paraguay	-	503	-	-	-	-	503	-	(503)	-
Peru	2 764	-	-	2 171	-	2 764	-	-	(2 764)	-
Puerto Rico	5 724	3 072	977	4 188	-	(644)	3 072	977	(3 405)	-
Salvador	1 041	588	-	633	-	(1 221)	588	-	633	-
Surinam	-	453	-	-	-	-	453	-	(453)	-
Venezuela	3 401	1 881	-	1 954	-	1 570	(3 474)	-	1 954	-
Totals	52 003	27 338	10 974	48 550		16 399	11 107	8 036	(35 540)	

	DEC.-FEB. AVERAGE G.I.T. PER MESSAGE FOR TRANSFERS ONLY		GAIN OR (LOSS) IN G.I.T. $				
	SUBAREA	AVG. 3) MSG	ITT	RCA GLOBCOM	TRT	WUI	OTHER
Argentina	South America	5.83	17 473	10 482	-	(27 955)	-
Bahamas	Bahamas	3.79	5 348	-	(5 348)	-	-
1) Barbados	Ber. & B.W.I.	3.42	(10 749)	8 321	-	(19 070)	-
Bolivia	South America	5.83	7 171	3 323	-	(10 494)	-
Brazil	South America	5.83	27 465	20 195	7 270	(54 930)	-
Chile	South America	5.83	7 200	4 116	-	(11 316)	-
Colombia	Colombia	5.01	12 300	3 241	5 897	(21 438)	-
Costa Rica	Cent. America	5.67	(7 893)	4 627	3 266	-	-
Cuba	Cuba	1.97	(894)	1 444	482	(1 032)	-
Dominican Republic	DR/HT	3.20	4 496	(7 818)	-	3 322	-
Ecuador	EC/VZ	5.98	6 698	(17 815)	2 356	8 761	-
French Antilles	O.W.I.	3.38	(575)	2 873	-	(2 298)	-
Guatemala	Cent. America	5.67	(13 654)	4 695	4 905	4 054	-
Haiti	DR/HT	3.20	6 339	(6 339)	-	-	-
Honduras	Cent. America	5.67	(12 013)	4 207	7 808	-	-
Jamaica	Jamaica	3.25	5 415	4 738	4 063	(14 216)	-
Netherlands Antilles	O.W.I.	3.38	2 102	4 053	-	(6 155)	-
Nicaragua	Cent. America	5.67	(10 359)	3 028	3 668	3 663	-
2) Panama	Cent. America	5.67	(10 081)	2 858	3 912	3 311	-
Paraguay	South America	5.83	-	2 932	-	(2 932)	-
Peru	South America	5.83	16 116	-	-	(16 116)	-
Puerto Rico	P.R.	3.69	(2 376)	11 336	3 605	(12 565)	-
Salvador	Cent. America	5.67	(6 923)	3 334	-	3 589	-
Surinam	South America	5.83	-	2 641	-	(2 641)	-
Venezuela	EC/VZ	5.98	9 090	(20 773)	-	11 683	-
Totals			73 190	49 697	41 606	(164 771)	

1) WU study does not show Barbados as a destination but shows British West Indies.
2) No traffic reported for Panama, WU study shows Canal Zone.
3) Based on $.095 landline division per full rate word.

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ITT PLAN

AREA C	ROUTED TRANSFERS AND PERCENT OF TOTAL												TOTAL UNROUTED
	TOTAL ROUTED	ITT		RCA GLOBCOM		TRT		WUI		OTHER		
		MSG	%	MSG	%	MSG	%	MSG	%	MSG	%	
Australia	6 246	1 994	32	2 088	33	-	-	2 164	35	-	-	20 020
Burma	39	-	-	39	100	-	-	-	-	-	-	300
China	599	197	33	222	37	-	-	180	30	-	-	897
French Polynesia	151	-	-	151	100	-	-	-	-	-	-	751
Guam	380	-	-	380	100	-	-	-	-	-	-	1 644
Hawaii	5 936	2 497	42	1 810	31	-	-	1 629	27	-	-	13 373
Hong Kong	4 215	1 245	30	1 774	42	-	-	1 196	28	-	-	11 677
Indonesia	1 613	491	30	625	39	-	-	497	31	-	-	2 678
Japan	7 315	2 948	40	4 367	60	-	-	-	-	-	-	25 225
Korea	3 464	961	28	1 792	52	-	-	711	20	-	-	7 399
Malaysia	1 538	426	28	734	48	-	-	378	24	-	-	2 017
Mariana Is. (Saipan)	37	-	-	37	100	-	-	-	-	-	-	251
New Zealand	643	-	-	643	100	-	-	-	-	-	-	4 291
Philippines	8 151	3 336	41	3 103	38	126	2	1 590	19	-	-	22 295
Singapore	2 115	577	27	948	45	-	-	590	28	-	-	3 498
Taiwan	4 779	1 439	30	2 166	45	-	-	1 174	25	-	-	9 131
Thailand	1 694	682	40	1 012	60	-	-	-	-	-	-	4 769
Viet Nam	308	-	-	308	100	-	-	-	-	-	-	1 888
Totals	49 241	16 791		22 217		126		10 109				132 104

AREA C	REDISTRIBUTION OF UNROUTED					GAIN OR LOSS				
	ITT	RCA GLOBCOM	TRT	WUI	OTHER	ITT	RCA GLOBCOM	TRT	WUI	OTHER
Australia	6 406	6 607	-	7 007	-	6 406	(8 764)	-	7 007	(4 649)
Burma	-	300	-	-	-	-	300	-	-	(300)
China	296	332	-	269	-	296	(565)	-	269	-
French Polynesia	-	751	-	-	-	-	-	-	-	-
Guam	-	1 644	-	-	-	-	-	-	-	-
Hawaii	5 617	4 145	-	3 611	-	3 139	(6 750)	-	3 611	-
Hong Kong	3 503	4 904	-	3 270	-	3 503	(6 773)	-	3 270	-
Indonesia	803	1 045	-	830	-	803	(1 633)	-	830	-
Japan	10 090	15 135	-	-	-	10 090	(10 090)	-	-	-
Korea	2 072	3 847	-	1 480	-	2 072	(3 552)	-	1 480	-
Malaysia	565	968	-	484	-	565	(1 049)	-	484	-
Mariana Is. (Saipan)	-	251	-	-	-	-	-	-	-	-
New Zealand	-	4 291	-	-	-	-	86	-	-	(86)
Philippines	9 141	8 472	446	4 236	-	6 323	(11 205)	446	4 236	-
Singapore	945	1 574	-	979	-	945	(1 924)	-	979	-
Taiwan	2 739	4 109	-	2 283	-	2 739	(5 022)	-	2 283	-
Thailand	1 908	2 861	-	-	-	1 908	(1 908)	-	-	-
Viet Nam	-	1 888	-	-	-	-	-	-	-	-
Totals	44 085	63 124	446	26 449		38 909	(58 849)	446	26 449	(5 035)

AREA C	DEC.-FEB. AVERAGE G.I.T. PER MESSAGE FOR TRANSFERS ONLY		GAIN OR (LOSS) IN G. I. T. $				
	SITAREA	AVG. 1) MSG	ITT	RCA GLOBCOM	TRT	WUI	OTHER
Australia	Aust/NZ	5.13	32 862	(44 959)	-	35 945	(23 849)
Burma	Burma	7.88	-	2 364	-		(2 364)
China	China	9.56	2 830	(5 402)	-	2 572	-
French Polynesia	S.P. Other	6.26	-	-	-	-	-
Guam	Guam	7.16	-	-	-	-	-
Hawaii	Hawaii	3.85	12 085	(25 987)	-	13 902	-
Hong Kong	Hong Kong	4.78	16 744	(32 375)	-	15 631	-
Indonesia	Indonesia	8.22	6 601	(13 424)	-	6 823	-
Japan	Japan	7.23	72 951	(72 951)	-	-	-
Korea	Korea	7.26	15 001	(25 716)	-	10 715	-
Malaysia	Malay St.	5.88	3 322	(6 168)	-	2 846	-
Mariana Is. (Saipan)	Japan	7.23	-	-	-	-	-
New Zealand	Aust/NZ	5.13	-	441	-	-	(441)
Philippines	Philip.	5.15	33 393	(57 705)	2 297	21 815	-
Singapore	Malay	5.88	5 557	(11 314)	-	5 757	-
Taiwan	Taiwan	7.18	19 666	(36 058)	-	16 392	-
Thailand	Thailand	6.78	12 936	(12 936)	-	-	-
Viet Nam	Viet Nam	6.87	-	-	-	-	-
Totals			234 168	(262 190)	2 297	132 399	(26 634)

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1) Based on $.093 landline division per full rate word.

AREA A

Destinations With No Direct Circuits

	UNROUTED				
DESTINATION	ITT	RCA GLOBCOM	TRT	WUI	TOTAL
Cyprus		555			
Gibraltar		67			
Lechtenstein		81			
Malta		613			
Afghanistan		369			
Arabia		4 061			
Ascension Is.		4			
Azores		532			
Botswana		175			
Brundi		42			
Cameroon Rep.		266			
Canary Is.		325			
Cape Verde Is.		332			
Cent. African Rep.		51			
Chad Rep.		48			
Comores		7			
Congo Rep.		29			
Dahomey Rep.		82			
Ethiopia		858			
Faroe Is.		5			
Fr.Terr.of Afars/Issas		14			
Gabon Rep.		48			
Gambia		942			
Ghana		1 775			
Greenland		42			
Guinea		72			
Iceland		650			
Iraq		1 151			
Kenya		2 234			
Lesotho		52			
Libya		1 448			
Maderia Is.		77			
Malagasy Rep.		127			
Malawi		162			
Maldive Is.		3			
Mali Rep.		91			
Mauritania Rep.		13			
Mauritius		119			
Mozambique		155			
Nepal		582			
Niger		77			
Nigeria		5 639			
Persian Gulf		2 520			
Port. Guinea		532			
Reunion Is.		4			

AREA A

Destinations With No Direct Circuits

DESTINATION	UNROUTED					
	ITT	RCA GLOBCOM	TRT	WUI	NOT IDENTIFIED	TOTAL
Rhodesia		677				
Rodriguez Is.						
Rwanda		18				
St. Helena						
Senegal		231			1	
Seychelles		97				
Somali Rep.		55				
Sp. No. African Poss.		1				
Sp. Sahara		4				
Srilanka		1 036				
Sudan		369				
Swaziland		147				
Syria		691				
Tanganyika		497				
Togolese Rep.		167				
Uganda		138				
Upper Volta		52				
Zambia		638				
Roumania	142	433		8		
Albania Bulgaria Estonia Latvia Lithuania		49		140		
Totals	142	32 331	-	148	1	32 622

AREA B

Destinations With No Direct Circuits

	UNROUTED				
DESTINATION	ITT	RCA GLOBCOM	TRT	WUI	TOTAL
Margarita	1				
Bermuda				1 519	
Turks & Caicos Is.		44			
Virgin Is.	321			1 285	
Br. Honduras			746		
Falkland Is.				6	
Fr. Guinea				28	
Guyana				1 597	
Uruguay				2 008	
Totals	322	44	746	6 443	7 555

AREA C

Destinations With No Direct Circuits

DESTINATIONS	UNROUTED					
	ITT	RCA GLOBCOM	TRT	WUI	NOT IDENTIFIED	TOTAL
Midway		1				
Wake Is.						
Br. Samoa	35				2	
Samoa	391				18	
Canton Is.		3				
Chatham Is.		1				
Cook Is.		23				
Fiji Is.		467				
Gilbert & Ellice		12				
Nauru		4				
New Guinea		332				
Norfolk Is.		7				
Pitcairn Is.		4				
Solomon Is.					550	
Tonga		166				
New Caledonia		101				
New Hebrides		79				
Timor Is.		6				
Macao		16				
Tibet		2				
Khmer Rep.		220				
Laos		154				
Caroline Is.		121				
Marshall Is.		129				
Brunei		66				
Totals	426	1 914			570	2 910

AREA A

Routed messages for destinations with no direct circuits
for the individual carriers involved.

	ROUTED				
DESTINATION	ITT	RCA GLOBCOM	TRT	WUI	TOTAL
Bangladesh	121		3	168	
Great Britain			308		
Ireland			4		
Finland			4		
Portugal			18		
Spain			110		
Sweden			17		
Switzerland			22		
Russia			1		
Algeria			4		
Egypt			28		
India			90	1 761	
Iran			89		
Israel			37		
Ivory Coast			2		
Jordan			3		
Lebanon			29		
Morocco			3		
Pakistan	745		64	621	
South Africa			49	1 054	
Tunesia			1		
Turkey			59	555	
Zaire	82		7	72	
Liberia	74		10	153	
Austria			9		
Belgium			68		
France			64		
Germany			691		
Holland			53		
Norway			9		
Czechoslovakia	21				
Denmark	4				
Greece			45		
Hungary			4	106	
Poland	143		6	244	
Yugoslavia			13		
Totals	1 190		1 924	4 734	7 848

AREA B

Routed Messages for Destinations with no Direct Circuits for the Individual Carriers Involved

DESTINATION	ROUTED				
	ITT	RCA GLOBCOM	TRT	WUI	
Argentina			199		
Bahamas		158		258	
Barbados (BWI)			436		
Bolivia			111		
Chile			182		
Costa Rica				365	
Dominican Republic			149		
French Antilles	62		37	76	
Haiti			98	289	
Honduras	341			212	
Neth. Antilles			125		
Paraguay	81		33	86	
Peru		492	194		
Salvador			225		
Surinam	98		39	103	
Venezuela			530		
	582	650	2 358	1 389	4 979

AREA C

Routed Messages for Destinations with no Direct Circuits for the Individual Carriers Involved

DESTINATION	ROUTED				
	ITT	RCA GLOBCOM	TRT	WUI	
Australia			72		
Burma	34		6	95	
Fr. Polynesia			5		
Hong Kong			29		
Indonesia			32		
Japan			78	2 193	
Korea			36		
Malaysia			32		
Mariana Is.	11				
New Zealand	549		44	529	
Singapore			27		
Taiwan (Rep. of China)			56		
Thailand			71	816	
Vietnam	301		9	231	
	895		497	3 864	5 256

AREA A

Routed Messages for Destinations with no Direct Circuits by any U.S. Carrier

	ROUTED				
DESTINATION	ITT	RCA GLOBCOM	TRT	WUI	TOTAL
Cyprus	55	28	1	56	140
Gibraltar	5	8	-	11	24
Liechtenstein	2	13	-	8	23
Malta	71	27	4	44	146
Afghanistan	20	46	3	25	94
Arabia	1 014	878	34	723	2 649
Azores	10	10	1	17	38
Botswana	4	4	-	4	12
Brundi	4	2	-	1	7
Cameroon Rep.	21	24	-	32	77
Canary Is.	41	33	4	26	104
Cape Verde Is.	-	2	-	8	10
Cent. African Rep.	3	9	-	6	18
Chad Rep.	5	10	-	19	34
Congo Rep.	5	5	-	13	23
Dahomey Rep.	9	8	1	32	50
Ethiopia	92	123	11	115	341
Fr. Terr. of Afars/Issas	15	6	-	-	21
Gabon Rep.	8	14	3	67	92
Gambia	30	81	2	61	174
Ghana	98	119	11	146	374
Greenland	7	-	-	3	10
Guinea	6	10	1	10	27
Iceland	116	104	9	62	291
Iraq	242	349	13	186	790
Kenya	183	327	9	181	700
Lesotho	-	2	-	-	2
Libya	300	222	18	282	822
Maderia Is.	9	7	-	-	16
Malagasy Rep.	24	16	2	11	53
Malawi	14	13	4	7	38
Mali Rep.	3	14	-	31	48
Mauritania Rep.	4	20	-	20	44
Mauritufs	18	28	2	14	62
Mozambique	30	44	12	31	117
Nepal	29	58	1	42	130
Niger	-	6	-	13	19
Nigeria	464	567	10	592	1 633
Persian Gulf	419	388	25	346	1 178
Port Guinea	76	102	10	98	286
Reunion Is.	4	5	-	-	9

AREA A

Routed Messages for Destinations with no Direct Circuits by any U.S. Carrier

	ROUTED				
DESTINATION	ITT	RCA GLOBCOM	TRT	WUI	TOTAL
Rhodesia	25	33	2	28	88
Rodriguez Is.	-	1	-	-	1
Rwanda	-	4	-	5	9
Senegal	16	17	2	19	54
Seychelles	1	5	2	1	9
Somali Rep.	28	18	-	23	69
Sp. No. African Poss.	-	-	-	1	1
Sp. Sahara	1	-	-	-	1
Srilanka	103	126	9	116	354
Sudan	81	82	13	45	221
Swaziland	3	3	-	7	13
Syria	89	66	3	64	222
Tanganyika	46	57	-	65	168
Togolese Rep.	10	22	1	33	66
Uganda	8	10	-	17	35
Upper Volta	1	4	3	15	23
Zambia	42	153	14	85	294
Roumania	96	80	4	83	263
Albania					
Bulgaria					
Estonia	25	53	-	53	131
Latvia					
Lithuania					
Totals	4 035	4 466	244	4 003	12 748

AREA B

542 D

Routed Messages for Destinations with no Direct Circuits by any U.S. Carriers

	ROUTED				
DESTINATION	ITT	RCA GLOBCOM	TRT	WUI	TOTAL
Margarita		1			1
Bermuda	166	118	57	184	525
Turks & Caicos Is.	-	-	1	-	1
Virgin Is.	489	90	58	154	791
Br. Honduras	74	41	179	69	363
Falkland Is.	-	3	-	-	3
Fr. Guinea	6	9	1	5	21
Guyana	164	99	48	152	463
Uruguay	248	206	46	309	809
Totals	1 147	567	390	873	2 977

AREA C

Routed Messages for Destinations with no Direct Circuits by any U.S. Carrier

	ROUTED				
DESTINATION	ITT	RCA GLOBCOM	TRT	WUI	TOTAL
Midway	-	-	-	3	3
Br. Samoa	13	24	-	2	39
Samoa	46	66	3	32	147
Chatham Is.	-	1	-	-	1
Cook Is.	3	-	-	-	3
Fiji Is.	38	87	1	38	164
Gilbert & Ellice	1	-	-	1	2
Nauru	-	3	-	-	3
New Guinea	29	18	1	22	70
Norfolk Is.	2	-	-	-	2
Pitcairn Is.	-	-	-	6	6
Solomon Is.	1	4	-	4	9
Tonga	4	10	-	2	16
New Caledonia	60	34	2	16	112
New Hebrides	7	9	-	2	18
Timor Is.	1	2	1	-	4
Macao	-	2	-	-	2
Khmer Rep.	14	78	5	32	129
Laos	7	14	-	7	28
Caroline Is.	12	8	-	3	23
Marshall Is.	8	7	-	4	19
Brunei	29	22	3	8	62
Totals	275	389	16	182	862

TRT PLAN

GAIN OR (LOSS) TO RCA GLOBCOM BASED ON 13 WEEK WUD STUDY

	Number of Messages	Gross International Tolls
AREA A	(69 037)	(414 573)
AREA B	11 320	52 425
AREA C	(68 301)	(403 873)
ALL	(126 018)	(766 021)
*ANNUALIZED	(506 006)	(3 075 864)

*ANNUALIZED AT 52.2 WEEKS.

TAT PLAN

Unrouted Distributed To Those Carriers With Tariffs Only and On The Basis of Percentage Participation of Routed WUD Transfers

Area A	Total Routed	ITT		RCA		TAT		WUI		USL		Total Unrouted	Unrouted Distribution Messages						Gain Or (Loss) Messages						Dec.-Feb. Average C.I.T. Per Message for Transfers Only		Gain Or (Loss) In C.I.T. $					
		Msgs.	%	Msgs.	%	Msgs.	%	Msgs.	%	Msgs.	%		ITT	RCA	TAT	WUI	USL	Undistributed	ITT	RCA	TAT	WUI	USL	Undistributed	Subarea	Avg. Msg.	ITT	RCA	TAT	WUI	USL	Undistributed
Great Britain	13 462	4 507	34	3 125	23	300	2	5 572	41	-	-	81 298	27 641	18 699	1 620	[illegible] 332	-	-	27 641	18 699	1 626	(47 966)	-	-	UK-Eire	3.60	99 508	67 316	5 854	(172 678)		
Ireland	549	149	27	148	27	4	1	248	45	-	-	7 077	1 911	1 912	71	[illegible]	-	-	1 911	1 911	71	(3 893)	-	-	UK-Eire	3.60	6 880	6 880	256	(14 016)		
Cyprus	140	55	39	28	20	1	1	56	40	-	-	555	216	111	6	[illegible]	-	-	216	(444)	6	222	-	-	Continent	4.38	946	(1 944)	26	972		
Finland	422	139	33	122	29	4	1	157	37	-	-	1 649	610	536	19	96[illegible]	-	-	610	(1 313)	19	694	-	-	Continent	4.38	2 672	(5 751)	83	2 996		
Gibraltar	24	5	21	8	33	NIL	-	11	46	-	-	67	16	22	-	[illegible]	-	-	16	(63)	-	31	-	-	Continent	4.38	61	(197)	-	136		
Liechtenstein	23	2	9	13	56	-	-	8	35	-	-	81	7	56	-	[illegible]	-	-	7	(35)	-	28	-	-	Continent	4.38	31	(154)	-	123		
Malta	146	71	49	27	18	4	3	44	30	-	-	613	300	110	19	1[illegible]	-	-	300	(503)	19	184	-	-	Continent	4.38	1 314	(2 203)	83	806		
Portugal	898	282	31	296	33	18	2	304	34	-	-	2 498	775	926	50	[illegible]	-	-	775	(1 674)	50	849	-	-	Continent	4.38	3 395	(7 332)	219	3 719		
Spain	3 698	1 244	33	1 098	30	110	3	1 246	34	-	-	11 447	3 776	3 433	343	3 899	-	-	3 776	(8 003)	343	3 899	-	-	Continent	4.38	16 539	(35 079)	1 502	17 038		
Sweden	1 741	565	32	553	32	17	1	606	35	-	-	7 836	2 508	2 507	78	2 743	-	-	2 508	(5 329)	78	2 743	-	-	Continent	4.38	10 985	(23 341)	342	12 014		
Switzerland	2 476	739	30	724	29	22	1	991	40	-	-	14 756	4 427	4 279	148	5 902	-	-	4 427	(10 477)	148	5 902	-	-	Continent	4.38	19 390	(45 889)	648	25 851		
Russia	795	170	22	273	34	1	-	351	44	-	-	5 149	1 133	1 751	-	2 265	-	-	1 133	(3 399)	-	2 265	-	-	Continent	4.38	4 963	(14 885)	-	9 921		
Vatican City	NIL	NIL	-	NIL	-	NIL	-	NIL	-	-	-	50	-	-	-	-	-	50	-	(50)	-	-	-	50	Continent	4.38	-	(219)	-	-		219
Afghanistan	94	20	21	46	49	3	3	25	27	-	-	369	77	181	11	100	-	-	77	(188)	11	100	-	-	Bey. Cont.	5.63	434	(1 059)	62	563		
Algeria	204	42	20	77	38	4	2	81	40	-	-	377	75	143	8	151	-	-	75	(234)	8	151	-	-	Bey. Cont.	5.63	422	(1 317)	45	850		
Arabia	2 649	1 014	38	878	33	34	1	723	28	-	-	4 051	1 543	1 320	41	1 137	-	-	1 543	(2 771)	41	1 137	-	-	Bey. Cont.	5.63	8 687	(15 319)	231	6 401		
Egypt	1 429	412	29	538	38	28	2	451	31	-	-	4 625	1 341	1 758	92	1 434	-	-	1 341	(2 867)	92	1 434	-	-	Bey. Cont.	5.63	7 550	(16 141)	518	8 073		
Ascension Island	NIL	NIL	-	NIL	-	NIL	-	NIL	-	-	-	6	-	-	-	-	-	6	-	(6)	-	-	-	6	Bey. Cont.	5.63	-	(23)	-	-		23
Azores	28	-	-	10	36	1	3	17	61	-	-	532	-	192	16	326	-	-	-	(340)	16	326	-	-	Bey. Cont.	5.63	-	(1 914)	90	1 836		
Bangladesh	526	121	23	234	45	3	-	168	32	-	-	1 188	273	535	-	380	-	-	273	(653)	-	380	-	-	Bey. Cont.	5.63	1 537	(3 676)	-	2 139		
Botswana	12	4	33	4	34	NIL	-	4	33	-	-	175	58	59	-	58	-	-	58	(116)	-	58	-	-	Bey. Cont.	5.63	327	(653)	-	327		
Burundi	7	4	57	2	29	NIL	-	1	14	-	-	42	24	12	-	6	-	-	24	(30)	-	6	-	-	Bey. Cont.	5.63	135	(169)	-	34		
Cameroon Republic	77	21	27	24	31	NIL	-	32	42	-	-	266	72	82	-	112	-	-	72	(184)	-	112	-	-	Bey. Cont.	5.63	405	(1 036)	-	631		
Canary Island	106	41	39	33	32	6	6	26	25	-	-	325	127	104	13	81	-	-	127	(221)	13	81	-	-	Bey. Cont.	5.63	715	(1 244)	73	456		
Cape Verde Island	10	NIL	-	2	20	NIL	-	8	90	-	-	332	-	66	-	266	-	-	-	(266)	-	266	-	-	Bey. Cont.	5.63	-	(1 498)	-	1 498		
Cent African Republic	18	3	17	9	50	NIL	-	6	33	-	-	51	9	25	-	17	-	-	9	(26)	-	17	-	-	Bey. Cont.	5.63	51	(147)	-	96		
Chad Republic	34	5	15	10	29	NIL	-	19	56	-	-	48	7	14	-	27	-	-	7	(34)	-	27	-	-	Bey. Cont.	5.63	39	(191)	-	152		
Comoros	NIL	NIL	-	NIL	-	NIL	-	NIL	-	-	-	7	-	-	-	-	-	7	-	(7)	-	-	-	7	Bey. Cont.	5.63	-	(39)	-	-		39
Congo Republic	23	5	22	5	22	NIL	-	13	56	-	-	29	6	7	-	16	-	-	6	(22)	-	16	-	-	Bey. Cont.	5.63	34	(124)	-	90		
Dahomey Republic	50	9	18	8	16	1	2	32	64	-	-	82	15	13	2	52	-	-	15	(69)	2	52	-	-	Bey. Cont.	5.63	84	(398)	11	293		
Ethiopia	341	92	27	123	36	11	3	115	34	-	-	850	231	309	26	292	-	-	231	(549)	26	292	-	-	Bey. Cont.	5.63	1 301	(3 091)	146	1 644		
Faroe Island	NIL	-	NIL	-	NIL	-	NIL	NIL	-	-	-	5	-	-	-	-	-	5	-	(5)	-	-	-	5	Bey. Cont.	5.63	-	(28)	-	-		28
Fr. Terr. Of Issas	21	15	71	6	29	NIL	-	NIL	-	-	-	14	10	4	-	-	-	-	10	(10)	-	-	-	-	Bey. Cont.	5.63	56	(56)	-	-		
Gabon Republic	89	8	9	14	16	-	-	67	75	-	-	40	4	0	-	36	-	-	4	(40)	36	-	-	-	Bey. Cont.	5.63	23	(226)	-	203		
Gambia	176	30	17	81	47	2	1	61	35	-	-	962	160	463	9	330	-	-	160	(499)	9	330	-	-	Bey. Cont.	5.63	901	(2 812)	51	1 859		
Ghana	374	98	26	119	32	11	3	146	39	-	-	1 775	462	560	53	692	-	-	462	(1 207)	53	692	-	-	Bey. Cont.	5.63	2 601	(6 795)	298	3 896		
Greenland	10	7	70	NIL	-	NIL	-	3	30	-	-	42	29	-	-	13	-	-	29	(42)	-	13	-	-	Bey. Cont.	5.63	163	(236)	-	73		
Guinea	27	6	22	10	37	1	4	10	37	-	-	72	16	26	3	27	-	-	16	(44)	3	27	-	-	Bey. Cont.	5.63	90	(239)	17	152		
Iceland	291	116	40	104	36	9	3	62	21	-	-	650	260	234	20	136	-	-	260	(416)	20	136	-	-	Bey. Cont.	5.63	1 464	(2 353)	113	766		
India	5 301	1 476	28	1 974	37	90	2	1 761	33	-	-	36 336	9 614	12 705	687	11 331	-	-	9 616	(21 632)	687	11 331	-	-	Bey. Cont.	5.63	54 127	(121 789)	3 868	63 794		
Iran	3 878	1 022	26	1 764	46	89	2	1 003	26	-	-	9 129	2 376	4 199	183	2 373	-	-	2 376	(4 430)	183	2 373	-	-	Bey. Cont.	5.63	13 206	(27 756)	1 030	13 360		
Iraq	790	242	31	349	44	13	2	186	23	-	-	1 151	357	506	23	265	-	-	357	(645)	23	265	-	-	Bey. Cont.	5.63	2 010	(3 631)	129	1 492		
Israel	2 149	656	30	664	31	37	2	794	37	-	-	16 039	4 812	4 972	325	5 934	-	-	4 812	(11 067)	325	5 934	-	-	Bey. Cont.	5.63	27 092	(62 307)	1 807	33 408		
Ivory Coast	157	37	24	87	55	2	1	31	20	-	-	308	74	169	3	62	-	-	74	(139)	3	62	-	-	Bey. Cont.	5.63	417	(782)	17	349		

TRT PLAN

AREA A	Total Routed	ITT Msg.	ITT %	RCA Msg.	RCA %	TRT Msg.	TRT %	WUI Msg.	WUI %	ETL Msg.	ETL %	Total Imputed	Imputed Distribution Messages ITT	RCA	TRT	WUI	ETL	Undis-tributed	Gain Or (Loss) Messages ITT	RCA	TRT	WUI	ETL	Undis-tributed	Dec.-Feb. Average C.I.T. Per Message For Transfers Only Subarea	Avg./Msg.	Gain Or (Loss) In C.I.T. $ ITT	RCA	TRT	WUI	ETL	Undis-tributed
Jordan	245	66	27	96	39	3	1	80	33	-	-	902	263	332	9	298	-	-	263	(550)	9	298	-	-	Bey. Cont.	5.63	1 368	(3 097)	51	1 678	-	-
Kenya	700	183	26	327	47	9	1	181	26	-	-	2 234	581	1 050	72	581	-	-	561	(1 184)	72	581	-	-	Bey. Cont.	5.63	3 271	(6 665)	126	3 271	-	-
Lebanon	1 393	454	33	537	38	29	2	373	27	-	-	4 751	1 569	1 805	95	1 283	-	-	1 568	(2 956)	95	1 283	-	-	Bey. Cont.	5.63	8 828	(16 566)	535	7 223	-	-
Lesotho	2	NIL	-	2	100	NIL	-	NIL	-	-	-	52	-	52	-	-	-	-	-	-	-	-	-	-	Bey. Cont.	5.63	-	-	-	-	-	-
Libya	822	300	37	222	27	18	2	282	34	-	-	1 448	536	391	29	492	-	-	536	(1 057)	29	492	-	-	Bey. Cont.	5.63	3 018	(5 951)	163	2 770	-	-
Maderia Island	16	9	56	7	44	NIL	-	NIL	-	-	-	77	43	34	-	-	-	-	43	(43)	-	-	-	-	Bey. Cont.	5.63	242	(242)	-	-	-	-
Malagasy Republic	53	24	45	16	30	2	4	11	21	-	-	127	57	39	5	27	-	-	57	(89)	5	27	-	-	Bey. Cont.	5.63	321	(501)	28	152	-	-
Malawi	38	14	37	13	34	4	11	7	18	-	-	162	60	55	18	29	-	-	60	(107)	18	29	-	-	Bey. Cont.	5.63	338	(602)	101	163	-	-
Maldive Island	NIL	-	-	-	-	-	-	NIL	-	-	-	3	-	-	-	-	-	3	-	(3)	-	-	-	3	Bey. Cont.	5.63	-	(17)	-	-	-	17
Mali Republic	48	3	6	14	29	NIL	-	31	65	-	-	91	6	26	-	59	-	-	6	(65)	-	59	-	-	Bey. Cont.	5.63	34	(366)	-	332	-	-
Maritania	44	4	9	20	46	NIL	-	20	45	-	-	13	1	6	-	6	-	-	1	(7)	-	6	-	-	Bey. Cont.	5.63	6	(40)	-	34	-	-
Mauritius	62	18	29	28	45	2	3	14	23	-	-	119	34	54	6	27	-	-	34	(65)	6	27	-	-	Bey. Cont.	5.63	191	(366)	23	152	-	-
Morocco	235	46	20	106	45	3	1	80	34	-	-	827	164	372	8	281	-	-	164	(455)	8	281	-	-	Bey. Cont.	5.63	935	(2 562)	45	1 582	-	-
Mozambique	117	30	26	44	38	12	10	31	26	-	-	155	40	59	16	40	-	-	40	(96)	16	40	-	-	Bey. Cont.	5.63	225	(540)	90	225	-	-
Nepal	130	29	22	58	45	1	1	42	32	-	-	562	128	262	6	186	-	-	128	(320)	6	186	-	-	Bey. Cont.	5.63	721	(1 802)	34	1 047	-	-
Niger Republic	19	NIL	-	6	32	NIL	-	13	68	-	-	77	-	25	-	52	-	-	-	(52)	-	52	-	-	Bey. Cont.	5.63	-	(293)	-	293	-	-
Nigeria	1 633	464	28	567	35	10	1	592	36	-	-	5 639	1 579	1 976	56	2 030	-	-	1 579	(3 665)	56	2 030	-	-	Bey. Cont.	5.63	8 890	(20 634)	315	11 429	-	-
Pakistan	2 503	745	29	1 152	46	64	2	621	24	-	-	7 153	2 076	3 219	143	1 717	-	-	2 076	(3 934)	143	1 717	-	-	Bey. Cont.	5.63	11 677	(22 149)	805	9 667	-	-
Persian Gulf	1 178	419	36	368	[illegible]	25	2	366	29	-	-	2 520	907	832	50	731	-	-	907	(1 694)	50	731	-	-	Bey. Cont.	5.63	5 106	(9 504)	282	4 116	-	-
Portuguese Guinea	286	76	27	102	36	10	3	98	34	-	-	532	144	191	16	181	-	-	146	(361)	16	181	-	-	Bey. Cont.	5.63	811	(1 920)	90	1 019	-	-
Reunion Island	9	4	44	5	56	NIL	-	NIL	-	-	-	4	2	2	-	-	-	-	2	(2)	-	-	-	-	Bey. Cont.	5.63	11	(11)	-	-	-	-
Rhodesia	88	25	28	33	38	2	2	28	32	-	-	677	189	257	16	217	-	-	189	(420)	16	217	-	-	Bey. Cont.	5.63	1 064	(2 365)	79	1 122	-	-
Rodrigues Island	1	NIL	-	1	100	NIL	-	NIL	-	-	-	NIL	-	-	-	-	-	-	-	(1)	-	-	-	-	Bey. Cont.	5.63	-	-	-	-	-	-
Rwanda	9	NIL	-	4	44	NIL	-	5	56	-	-	18	-	8	-	10	-	-	-	(10)	-	10	-	-	Bey. Cont.	5.63	-	(56)	-	56	-	-
St. Helena Island	NIL	NIL	-	NIL		-	-	NIL	-	-	-	1	-	-	-	-	-	-	-	(1)	-	-	-	1	Bey. Cont.	5.63	-	(6)	-	-	-	6
Senegal Republic	54	16	30	17	31	2	4	19	35	-	-	231	69	72	9	81	-	-	69	(159)	9	81	-	-	Bey. Cont.	5.63	398	(895)	51	456	-	-
Seychelles Island	9	1	11	5	56	2	22	1	11	-	-	77	11	54	21	11	-	-	11	(43)	21	11	-	-	Bey. Cont.	5.63	62	(242)	118	62	-	-
Somali Republic	69	28	41	18	26	NIL	-	23	33	-	-	55	23	14	-	18	-	-	23	(41)	-	18	-	-	Bey. Cont.	5.63	129	(230)	-	101	-	-
South Africa	3 403	1 118	33	1 182	35	49	1	1 054	31	-	-	7 660	2 528	2 631	76	2 375	-	-	2 528	(4 979)	76	2 375	-	-	Bey. Cont.	5.63	14 233	(28 032)	428	13 371	-	-
Sp. No. Afir. Poss	1	NIL	-	NIL	-	-	-	1	100	-	-	1	-	-	-	1	-	-	-	(1)	-	1	-	-	Bey. Cont.	5.63	-	(6)	-	6	-	-
Sp. Sahara	1	1	100	NIL	-	NIL	-	NIL	-	-	-	4	4	-	-	-	-	-	4	(4)	-	-	-	-	Bey. Cont.	5.63	23	(23)	-	-	-	-
Sirilanka (Ceylon)	356	103	29	126	36	9	2	118	33	-	-	1 036	300	373	21	342	-	-	300	(663)	21	342	-	-	Bey. Cont.	5.63	1 689	(3 732)	118	1 925	-	-
Sudan	221	81	37	82	37	13	6	45	20	-	-	369	137	136	22	74	-	-	137	(233)	22	74	-	-	Bey. Cont.	5.63	771	(1 312)	124	417	-	-
Swaziland	13	3	23	3	23	NIL	-	7	54	-	-	117	34	34	-	79	-	-	34	(113)	-	79	-	-	Bey. Cont.	5.63	191	(636)	-	445	-	-
Syria	222	89	40	66	30	3	1	64	29	-	-	691	277	207	7	200	-	-	277	(484)	7	200	-	-	Bey. Cont.	5.63	1 560	(2 725)	39	1 126	-	-
Tanganyika Terr	169	46	27	57	34	NIL	-	65	39	-	-	497	134	159	-	194	-	-	134	(328)	-	194	-	-	Bey. Cont.	5.63	754	(1 846)	-	1 092	-	-
Togolese Republic	66	10	15	22	33	1	2	33	50	-	-	157	75	55	3	84	-	-	25	(117)	3	84	-	-	Bey. Cont.	5.63	141	(631)	17	473	-	-
Tunisia	167	49	29	71	42	1	1	46	28	-	-	359	104	151	4	100	-	-	104	(208)	4	100	-	-	Bey. Cont.	5.63	586	(1 172)	23	563	-	-
Turkey	2 083	558	28	881	42	59	3	555	27	-	-	3 177	890	1 334	95	858	-	-	890	(1 843)	95	858	-	-	Bey. Cont.	5.63	5 011	(10 377)	535	4 831	-	-
Uganda	35	8	23	10	29	NIL	-	17	48	-	-	138	32	40	-	66	-	-	32	(98)	-	66	-	-	Bey. Cont.	5.63	180	(552)	-	372	-	-
Upper Volta	23	1	4	4	18	3	13	15	65	-	-	52	2	9	7	34	-	-	2	(43)	7	34	-	-	Bey. Cont.	5.63	11	(243)	39	191	-	-
Zaire	253	82	32	92	36	7	3	72	29	-	-	497	159	179	15	144	-	-	159	(318)	15	144	-	-	Bey. Cont.	5.63	895	(1 790)	84	811	-	-
Zambia	294	42	14	153	52	14	5	85	29	-	-	618	89	332	32	185	-	-	89	(306)	32	185	-	-	Bey. Cont.	5.63	501	(1 723)	180	1 043	-	-
Liberia	392	74	19	126	32	10	3	153	39	29	7	1 639	277	467	44	569	102	-	277	467	44	569	(1 357)	-	Liberia	4.48	1 241	2 092	197	2 549	(6 079)	-
Austria	709	206	29	180	25	9	1	314	45	-	-	4 450	1 290	1 113	45	2 002	-	-	1 290	1 113	45	(2 448)	-	-	Austria	3.85	6 967	4 285	173	(9 425)	-	-
Belgium	2 002	622	31	484	24	68	3	828	42	-	-	5 509	1 708	1 322	165	2 316	-	-	(765)	1 322	165	(722)	-	-	Belgium	5.12	(3 917)	6 769	843	(3 697)	-	-
France	5 290	1 727	33	1 365	26	64	1	2 126	40	-	-	26 872	8 868	6 906	289	10 769	-	-	1 048	5 138	269	(6 655)	-	-	France	4.50	6 716	22 121	1 211	(29 048)	-	-
Germany	6 520	1 866	29	1 730	27	691	10	2 233	34	-	-	40 069	11 620	20 819	4 007	13 623	-	-	(1 118)	6 403	4 007	(9 292)	-	-	Germany	4.31	(4 818)	27 597	17 270	(40 069)	-	-

TRT PLAN

ARFA A	Total Routed	Routed Transfers: LTI Msgs.	%	RCA Msgs.	%	TRT Msgs.	%	WUI Msgs.	%	USL Msgs.	%	Total Unrouted	Unrouted Distribution Messages: LTI	RCA	TRI	WUI	USL	Undistributed	Gain OR (loss) Messages: LIT	RCA	TRT	WUI	USL	Undistributed
Holland	2 058	626	30	595	29	53	3	784	38	-	-	8 037	2 411	2 331	241	3 054	-	-	2 411	(711)	241	(1 939)	-	-
Italy	6 240	1 918	31	1 589	25	101	2	2 632	42	-	-	29 604	9 177	7 401	592	12 434	-	-	3 376	7 401	592	(11 569)	-	-
Norway	1 053	361	34	350	33	9	1	33	32	-	-	4 178	1 420	1 379	42	1 337	-	-	1 420	(1 261)	42	(201)	-	-
Czechoslovakia	103	21	21	25	24	NIL	-	57	55	-	-	383	80	92	-	211	-	-	80	(230)	-	130	-	-
Denmark	832	309	37	203	25	4	-	316	38	-	-	4 152	1 536	1 038	-	1 578	-	-	(2 616)	1 038	-	1 578	-	-
Greece	1 591	417	26	402	25	45	3	727	46	-	-	9 794	2 546	2 449	294	4 505	-	-	(1 688)	1 662	294	(268)	-	-
Hungary	232	47	20	75	32	4	2	106	45	-	-	1 779	356	569	36	818	-	-	(1 073)	219	36	818	-	-
Poland	522	143	27	129	25	6	1	244	47	-	-	5 511	1 488	1 378	55	2 590	-	-	1 488	(4 133)	55	2 590	-	-
Romania	263	96	37	80	30	4	1	83	32	-	-	583	216	175	6	186	-	-	76	(258)	6	178	-	-
Yogoslavia	611	187	31	155	25	13	2	256	42	-	-	3 005	932	751	60	1 262	-	-	932	(289)	60	(703)	-	-
Albania	13	1		3	-	NIL	-	9	-	-	-													
Bulgaria	108	23	-	50	-	-	-	35	-	-	-													
Estonia	3	NIL	19	NIL	40	-	-	3	61	-	-	189	36	76	-	77	-	-	36	27	-	(63)	-	-
Latvia	3	1	-	NIL	-	-	-	2	-	-	-													
Lithuania	6	NIL	-	NIL	-	-	-	4	-	-	-													
Luxembourg	31	21	22	17	33	NIL	-	23	45	-	-	132	29	44	-	59	-	-	29	9	-	(38)	-	-
	80 977	27 267		27 683		2 270		31 720		29		400 839	122316	118196	10530	169427	102	70	83 925	(69 037)	10530	(24 131)	(1 357)	70

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Dec.-Feb. Average G.I.T. Per Message For Transfers Only: Subarea	Avg./Msg.	Gain Or (Loss) In G.I.T. $: LIT	RCA	TRT	WUI	USL	Undistributed
Netherlands	6.05	9 765	(2 888)	976	(7 853)	-	-
Italy	6.05	14 483	29 974	2 398	(46 855)	-	-
Norway	6.20	5 964	(3 276)	176	(864)	-	-
Czech.	3.44	275	(791)	-	316	-	-
Denmark	4.33	(11 328)	6 495	-	6 833	-	-
Greece	3.31	(5 587)	5 501	973	(887)	-	-
Hungary	3.12	(3 347)	683	112	2 552	-	-
Poland	3.82	5 686	(15 780)	210	9 894	-	-
Roumania	6.00	355	(1 238)	29	854	-	-
Yugoslavia	3.43	3 197	(992)	206	(2 411)	-	-
Albania							
Bulgaria							
Estonia	5.56	200	130	-	(350)	-	-
Latvia							
Lithuania							
Luxembourg	4.56	132	41	-	(173)	-	-
		306 079	(416 573)	46 816	(13 375)	(6 079)	332

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TRT PLAN

AREA B	Total Routed	Routed Transfers ITT Msg.	ITT %	RCA Msg.	RCA %	TRT Msg.	TRT %	WUI Msg.	WUI %	Other Msg.	Other %	Total Unrouted	Unrouted Distribution Messages ITT	RCA	TRT	WUI	Other	Undistributed
Bahamas	893	230	26	155	18	247	27	258	29	-	-	2 940	764	529	796	853	-	-
Bermuda	525	166	32	118	22	57	11	184	35	-	-	1 519	646	316	167	512	-	-
British W. Indies	3 656	1 007	28	772	21	436	12	1 441	39	-	-	10 138	2 839	2 129	1 216	3 954	-	-
Turks & Caicos Is.	NIL	NIL	-	NIL	-	-	-	NIL	-	-	-	66	-	-	-	-	-	66
Cuba	2 410	807	33	61	3	12	1	1 530	63	-	-	24 445	8 067	733	245	15 400	-	-
Dominican Republic	2 045	869	43	378	18	149	7	649	32	-	-	3 054	1 313	550	214	977	-	-
Haiti	1 052	431	41	234	22	98	9	289	28	-	-	3 048	1 250	871	274	853	-	-
Jamaica	2 518	616	24	536	21	446	18	920	37	-	-	6 963	1 666	1 458	1 250	2 569	-	-
Puerto Rico	6 939	2 856	41	1 488	21	520	8	2 045	30	-	-	13 961	5 726	2 932	1 117	4 188	-	-
Dutch W. Indies (Neth.Antilles)	1 705	634	37	610	36	125	7	336	20	-	-	3 074	1 137	1 107	215	615	-	-
Fr. W. Indies (Fr. Antilles)	437	62	14	262	60	37	9	76	17	-	-	850	119	510	76	165	-	-
Vir In Is.	791	489	62	90	11	58	7	154	20	-	-	1 606	775	177	112	321	-	-
Belize (Br. Honduras)	289	-	-	41	14	179	62	69	24	-	-	746	-	106	463	179	-	-
Panama (Canal Zone)	2 176	711	33	412	19	564	26	489	22	-	-	2 653	875	504	690	584	-	-
Costa Rica	1 505	476	32	392	26	272	18	365	24	-	-	2 400	758	674	432	576	-	-
Guatemala	2 177	787	36	476	22	494	23	420	19	-	-	3 763	1 355	828	865	715	-	-
Honduras	1 178	341	29	220	19	405	34	212	18	-	-	2 119	615	403	720	381	-	-
Nicaragua	1 028	-	-	304	25	266	26	358	35	-	-	2 811	-	815	1 012	984	-	-
Salvador	1 488	583	39	322	22	225	15	358	26	-	-	2 262	882	498	339	543	-	-
Colombia	4 154	1 779	43	800	19	691	17	874	21	-	-	6 922	2 976	1 315	1 177	1 454	-	-
Ecuador	3 354	1 583	47	657	20	254	8	860	26	-		5 635	2 648	1 127	395	1 465	-	-
Margarita Is.	1	NIL	-	1	100	NIL	-	NIL	-	-	-	1	1	-	-	-	-	-
Venezuela	6 643	1 955	42	1 055	25	530	11	1 103	26	-	-	7 236	3 039	1 664	796	1 737	-	-
Argentine	3 372	1 124	33	667	20	799	6	1 382	41	-	-	8 563	2 826	1 712	514	3 511	-	-
Bolivia	1 135	408	37	185	17	111	10	401	36	-	-	3 001	1 111	510	300	1 080	-	-
Brazil	8 749	2 968	34	2 185	25	759	9	2 837	32	-	-	13 856	4 711	3 464	1 247	4 436	-	-
Chile	2 156	825	38	463	22	182	8	676	32	-	-	3 302	1 255	726	264	1 057	-	-
Falkland Is.	3	NIL	-	3	100	NIL	-	NIL	-	-	-	6	-	6	-	-	-	-
Fr. Guiana	21	6	28	9	43	1	5	5	26	-	-	28	8	12	1	7	-	-
Guyana	463	164	36	99	21	48	10	152	33	-	-	1 597	575	335	160	527	-	-
Paraguay	261	81	31	61	23	33	13	86	33	-	-	503	156	116	65	166	-	-
Peru	2 374	961	40	492	21	196	8	767	31	-	-	4 935	1 976	1 036	395	1 530	-	-
Surinam	373	98	26	133	36	39	10	103	28	-	-	453	118	163	45	127	-	-
Uruguay	809	248	31	206	25	66	6	309	38	-	-	2 008	623	502	120	763	-	-
Totals	64 600	23 245		13 890		7 777		19 688				146 622	50 877	28 084	15 190	52 227		66

AREA B	Gain Or (Loss) Messages ITT	RCA	TRT	WUI	Other	Undistributed	Dec.-Feb. Average G.I.T. Per Message For Transfers Only Schemes	Avg./Msg.	Gain Or (Loss) In G.I.T. $ ITT	RCA	TRT	WUI	Other	Undistributed
Bahamas	764	529	(2 146)	853	-	-	Bahamas	3.79	2 896	2 005	(8 134)	3 233		
Bermuda	486	336	167	(987)	-	-	Ber. &BWI	3.42	1 652	1 142	571	(3 375)		
British W. Indies	2 839	2 129	1 216	(6 184)	-	-	Ber. &BWI	3.42	9 709	7 281	4 159	(21 149)		
Turks & Caicos Is.	-	(66)	-	-	-	66	Ber. &BWI	3.42	-	(150)	-	-		150
Cuba	(454)	733	245	(526)	-	-	Cuba	1.97	(896)	1 444	483	(1 033)		
Dominican Republic	1 313	(2 504)	214	977	-	-	DR/HT	3.20	4 202	(8 013)	685	3 126		
Haiti	1 250	(2 377)	274	853	-	-	DR/HT	3.20	4 000	(7 607)	877	2 730		
Jamaica	1 666	1 458	1 250	(4 376)	-	-	Jamaica	3.25	5 415	4 739	4 063	(14 217)		
Puerto Rico	(644)	2 932	1 117	(3 405)	-	-	P. R.	3.69	(2 376)	10 819	4 122	(12 565)		
Dutch W. Indies (Neth.Antilles)	529	1 107	215	(1 851)	-	-	D.W.I.	3.38	1 788	3 742	727	(6 257)		
Fr. W. Indies (Fr. Antilles)	(51)	510	76	(535)	-	-	D.W.I.	3.38	(172)	1 726	257	(1 809)		
Vir In Is.	675	177	112	(966)	-	-	D.W.I.	3.38	2 282	598	379	(3 259)		
Belize (Br. Honduras)	-	104	(293)	179	-	-	Br. Hond.	4.68	-	487	(1 325)	838		
Panama (Canal Zone)	(1 778)	504	690	584	-	-	Cent.Amer.	5.67	(10 081)	2 858	3 912	3 311		
Costa Rica	(1 632)	624	432	576	-	-	Cent.Amer.	5.67	(9 253)	3 538	2 449	3 266		
Guatemala	(2 408)	828	865	715	-	-	Cent.Amer.	5.67	(13 654)	4 695	4 905	4 056		
Honduras	(1 504)	403	720	381	-	-	Cent.Amer.	5.67	(8 527)	2 285	4 082	2 160		
Nicaragua	(2 811)	815	1 012	984	-	-	Cent.Amer.	5.67	(15 938)	4 621	5 738	5 579		
Salvador	(1 380)	498	339	543	-	-	Cent.Amer.	5.67	(7 825)	2 824	1 922	3 079		
Colombia	2 455	647	(4 556)	1 454	-	-	Colombia	5.01	12 300	3 241	(22 825)	7 284		
Ecuador	1 119	(2 979)	395	1 465	-	-	Ec/Ve	5.98	6 692	(17 815)	2 362	8 761		
Margarita Is.	(1)	1	-	-	-	-	Ec/Ve	5.98	(6)	6	-	-		
Venezuela	1 158	(3 691)	796	1 737	-	-	Ec/Ve	5.98	6 925	(22 072)	4 760	10 387		
Argentine	2 826	1 712	514	(5 032)	-	-	So. Amer.	5.83	16 476	9 981	2 997	(28 454)		
Bolivia	1 111	510	300	(1 921)	-	-	So. Amer.	5.83	6 477	2 973	1 749	(11 199)		
Brazil	4 711	3 464	1 247	(9 422)	-	-	So. Amer.	5.83	27 465	20 195	7 270	(54 930)		
Chile	1 255	726	264	(2 245)	-	-	So. Amer.	5.83	7 317	4 233	1 539	(13 089)		
Falkland Is.	-	6	-	(6)	-	-	So. Amer.	5.83	-	35	-	(35)		
Fr. Guiana	8	12	1	(21)	-	-	So. Amer.	5.83	47	70	6	(123)		
Guyana	575	335	160	(1 070)	-	-	So. Amer.	5.83	3 352	1 953	932	(6 237)		
Paraguay	156	116	65	(337)	-	-	So. Amer.	5.83	909	676	379	(1 964)		
Peru	1 976	1 036	395	(3 405)	-	-	So. Amer.	5.83	11 500	6 040	2 303	(19 851)		
Surinam	118	163	45	(326)	-	-	So. Amer.	5.83	688	950	262	(1 900)		
Uruguay	623	502	120	(1 245)	-	-	So. Amer.	5.83	3 632	2 927	700	(7 259)		
Totals	16 948	11 320	6 261	(32 573)		66			67 016	52 425	32 306	(151 897)		150

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TRT PLAN

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AREA C	Total Routed	Routed Transfers: ITT Msg.	ITT %	RCA Msg.	RCA %	TRT Msg.	TRT %	WUI Msg.	WUI %	Other Msg.	Other %
Havell	5 936	2 497	42	1 816	31	-	-	1 623	27	-	-
Guam	380	-	-	380	100	-	-	-	-	-	-
Midway Is.	3	NIL	-	NIL	-	-	-	3	100	-	-
Wake Is.	NIL	NIL	-	NIL	-	-	-	NIL	-	-	-
Br. Samoa	39	13	33	24	62	NIL	-	2	5	-	-
Samoa	147	46	31	66	45	3	2	32	22	-	-
Canton Is.	NIL	NIL	-	NIL	-	-	-	NIL	-	-	-
Chatham Is.	1	NIL	-	1	100	-	-	NIL	-	-	-
Cook Is.	3	3	100	NIL	-	NIL	-	NIL	-	-	-
Fiji Is.	164	38	23	87	53	1	1	38	23	-	-
Gilbert & Ellice	2	1	50	NIL	-	NIL	-	1	50	-	-
Nauru	3	NIL	-	3	100	-	-	NIL	-	-	-
New Guinea	70	29	42	18	26	1	1	22	31	-	-
Norfolk Is.	2	2	100	NIL	-	-	-	NIL	-	-	-
Pitcairn Is.	6	NIL	-	NIL	-	NIL	-	6	100	-	-
Solomon Is.	9	1	11	4	45	NIL	-	4	44	-	-
Tonga	16	4	25	10	63	NIL	-	2	12	-	-
Fr. Polynesia	156	-	-	151	97	5	3	-	-	-	-
New Caledonia	36	-	-	34	94	2	6	-	-	-	-
New Hebrides	16	7	44	9	56	NIL	-	-	-	-	-
Timor Is.	4	1	25	2	50	1	25	NIL	-	-	-
Australia	6 313	1 994	32	2 098	33	72	1	2 164	34	-	-
New Zealand	1 765	559	31	643	36	44	3	519	30	-	-
Hong Kong	4 244	1 245	29	1 776	42	29	1	1 194	28	-	-
Macao	2	NIL	-	2	100	NIL	-	NIL	-	-	-
Peoples Rep. China	599	197	33	222	37	NIL	-	180	30	-	-
Tibet	NIL	NIL	-	NIL	-	-	-	NIL	-	-	-
Burma	194	34	18	59	30	6	3	95	49	-	-
Indonesia	1 645	491	30	625	38	32	2	497	30	-	-
Rep. of China	4 835	1 439	30	2 166	45	55	1	1 174	24	-	-
Khmer Rep.	129	14	11	78	60	5	4	32	25	-	-
Laos	28	7	25	14	50	NIL	-	7	25	-	-
Viet Nam	847	301	36	306	35	9	1	231	27	-	-
Caroline Is.	20	12	60	8	40	NIL	-	-	-	-	-
Japan	9 586	2 948	31	4 367	46	78	-	2 193	23	-	-
Mariana Is.	48	11	23	37	77	-	-	-	-	-	-
Marshall Is.	15	8	53	7	47	-	-	-	-	-	-
Korea	3 500	981	28	1 792	51	16	1	711	20	-	-
Brunei	62	29	47	22	35	3	5	8	13	-	-
Malaysia	1 570	426	27	734	47	32	2	378	24	-	-
Singapore	2 142	577	27	948	44	27	1	590	28	-	-
Philippine Is.	8 151	3 334	41	3 103	38	124	1	1 590	20	-	-
Thailand	2 581	682	26	1 012	39	71	3	816	32	-	-
Totals	55 274	17 901		22 606		637		14 130			

AREA C	Total Unrouted	Unrouted Distribution Messages: ITT	RCA	TRT	WUI	Other	Undistributed	Gain Or (Loss) Messages: ITT	RCA	TRT	WUI	Other	Undistributed
Havell	13 373	5 617	4 145	-	3 611	-	-	3 139	(6 750)	-	3 611	-	-
Guam	1 644	-	1 644	-	-	-	-	-	-	-	-	-	-
Midway Is.	1	-	-	-	1	-	-	-	(1)	-	1	-	-
Wake Is.	2	-	-	-	-	-	2	-	(2)	-	-	-	2
Br. Samoa	53	17	33	-	3	-	-	(18)	33	-	3	(18)	-
Samoa	391	121	176	8	86	-	-	(270)	176	8	86	-	-
Canton Is.	3	-	-	-	-	-	3	-	(3)	-	-	-	3
Chatham Is.	1	-	1	-	-	-	-	-	-	-	-	-	-
Cook Is.	23	23	-	-	-	-	-	23	(23)	-	-	-	-
Fiji Is.	467	107	248	5	107	-	-	107	(219)	5	107	-	-
Gilbert & Ellice	12	6	-	-	6	-	-	6	(12)	-	6	-	-
Nauru	4	-	4	-	-	-	-	-	-	-	-	-	-
New Guinea	332	140	86	3	103	-	-	140	(246)	3	103	-	-
Norfolk Is.	7	7	-	-	-	-	-	7	(7)	-	-	-	-
Pitcairn Is.	6	-	-	-	6	-	-	-	(6)	-	6	-	-
Solomon Is.	550	61	247	-	242	-	-	61	247	-	242	(550)	-
Tonga	166	41	105	-	20	-	-	41	(61)	-	20	-	-
Fr. Polynesia	751	-	728	23	-	-	-	-	(23)	23	-	-	-
New Caledonia	101	-	95	6	-	-	-	-	(6)	6	-	-	-
New Hebrides	79	35	44	-	-	-	-	35	(35)	-	-	-	-
Timor Is.	6	2	3	1	-	-	-	2	(3)	1	-	-	-
Australia	20 020	6 406	6 607	200	6 807	-	-	6 406	(8 764)	200	6 807	(4 649)	-
New Zealand	4 291	1 330	1 545	129	1 287	-	-	1 330	(2 660)	129	1 287	(86)	-
Hong Kong	11 677	3 386	4 904	117	3 270	-	-	3 386	(6 773)	117	3 270	-	-
Macao	16	-	16	-	-	-	-	-	-	-	-	-	-
Peoples Rep. China	897	296	332	-	269	-	-	296	(565)	-	269	-	-
Tibet	2	-	-	-	-	-	2	-	(2)	-	-	-	2
Burma	300	54	90	9	147	-	-	54	90	(291)	147	-	-
Indonesia	2 678	803	1 018	54	803	-	-	803	(1 660)	54	803	-	-
Rep. of China	9 131	2 739	4 109	91	2 192	-	-	2 739	(5 022)	91	2 192	-	-
Khmer Rep.	220	24	132	9	55	-	-	24	(88)	9	55	-	-
Laos	154	39	77	-	38	-	-	39	(77)	-	38	-	-
Viet Nam	1 888	680	679	19	510	-	-	680	(1 209)	19	510	-	-
Caroline Is.	121	73	48	-	-	-	-	73	(73)	-	-	-	-
Japan	25 225	7 820	11 603	-	5 802	-	-	7 820	(13 622)	-	5 802	-	-
Mariana Is.	251	58	193	-	-	-	-	58	(58)	-	-	-	-
Marshall Is.	129	68	61	-	-	-	-	68	(68)	-	-	-	-
Korea	7 399	2 072	3 773	74	1 480	-	-	2 072	(3 626)	74	1 480	-	-
Brunei	66	31	23	3	9	-	-	31	(43)	3	9	-	-
Malaysia	2 017	545	948	40	484	-	-	545	(1 069)	40	484	-	-
Singapore	3 498	944	1 539	35	980	-	-	944	(1 959)	35	980	-	-
Philippine Is.	22 295	9 141	8 472	223	4 459	-	-	6 522	(11 205)	223	4 459	-	-
Thailand	4 769	1 240	1 860	143	1 526	-	-	1 240	(2 909)	143	1 526	-	-
Totals	135 014	43 926	55 388	1 192	34 501	-	7	38 404	(68 301)	892	34 501	(5 303)	7

Dec.-Feb. Average C.I.T. Per Message For Transfers Only: Tariff area	Avg./Msg.	Gain Or (Loss) In C.I.T. $: ITT	RCA	TRT	WUI	Other	Undistributed
Havell	3.85	12 085	(25 987)	-	13 902	-	
Guam	7.16	-	-	-	-	-	
Mid/Wk	2.80	-	(3)	-	3	-	
Mid/Wk	2.80	-	(6)	-	-	-	6
Br. Samoa	6.07	(73)	136	-	12	(73)	
Samoa Other	5.43	(1 466)	956	43	467	-	
S.P. Br.	6.24	-	(19)	-	-	-	19
S.P. Br.	6.24	-	-	-	-	-	
S.P. Br.	6.24	144	(144)	-	-	-	
S.P. Br.	6.24	668	(1 367)	31	668	-	
S.P. Br.	6.24	37	(74)	-	37	-	
S.P. Br.	6.24	-	-	-	-	-	
S.P. Br.	6.24	874	(1 536)	19	643	-	
S.P. Br.	6.24	43	(43)	-	-	-	
S.P. Br.	6.24	-	(25)	-	75	-	
S.P. Br.	6.24	381	1 541	-	1 510	(3 432)	
S.P. Br.	6.24	256	(381)	-	125	-	
S.P. Other	6.24	-	(144)	144	-	-	
S.P. Other	6.24	-	(37)	37	-	-	
S.P. Other	6.24	218	(218)	-	-	-	
S.P. Other	6.24	12	(18)	6	-	-	
Aust./NZ	5.13	32 863	(44 960)	1 026	34 920	(23 849)	
Aust./NZ	5.13	6 823	(13 646)	662	6 602	(441)	
Hong Kong	4.78	16 185	(32 375)	559	15 631	-	
China	9.56	-	-	-	-	-	
China	9.56	2 830	(5 401)	-	2 572	-	
China	9.56	-	(19)	-	-	-	19
Burma	7.88	426	709	(2 293)	1 158	-	
Indonesia	8.22	6 601	(13 646)	444	6 601	-	
Taiwan	7.18	19 666	(36 058)	653	15 739	-	
Fr. Indo Ch.	6.87	165	(605)	62	378		
Fr. Indo Ch.	6.87	268	(529)	-	261	-	
Fr. Indo Ch.	6.87	4 672	(8 307)	131	3 504	-	
Japan	7.23	528	(528)	-	-	-	
Japan	7.23	56 539	(98 487)	-	41 948	-	
Jap	7.23	419	(419)	-	-	-	
Japan	7.23	492	(492)	-	-	-	
Korea	7.24	15 001	(26 252)	536	10 715	-	
Malay St.	5.88	182	(253)	18	53	-	
Malay St.	5.88	3 205	(6 286)	235	2 846	-	
Malay St.	5.88	5 551	(11 519)	206	5 762	-	
Philippine	5.15	33 593	(57 705)	1 148	22 964	-	
Thailand	6.78	8 407	(19 723)	970	10 346	-	
		227 595	(403 873)	4 637	199 392	(27 795)	44

MESSAGES FILED DIRECTLY WITH RCA GLOBCOM SHOWN SEPARATELY BY GATEWAY CITY OF ORIGIN AND COUNTRY OF DESTINATION

AREA A	December 1974				January 1975				February 1975			
	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total
Ireland	255	31	16	302	179	20	6	205	183	14	4	201
United Kingdom	4 573	733	229	5 535	4 286	644	174	5 104	3 715	554	194	4 463
Subarea Total	4 828	764	245	5 837	4 465	664	180	5 309	3 898	568	198	4 664
Cyprus	126	5	25	156	123	1	21	145	105	6	18	129
Finland	213	39	14	266	164	48	10	222	131	45	12	188
Gibraltar	18	2	-	20	21	2	-	23	8	-	-	8
Liechtenstein	11	2	-	13	8	1	-	9	11	-	3	14
Malta	69	7	-	76	118	10	-	128	55	7	3	65
Portugal	609	79	12	700	547	50	15	612	467	61	13	541
U.S.S.R.	678	72	27	777	547	54	35	636	396	51	32	479
Spain	1 747	128	73	1 948	1 617	132	57	1 806	1 344	121	60	1 525
Sweden	578	169	45	792	594	154	32	780	549	125	47	721
Switzerland	1 637	209	108	1 954	1 526	226	117	1 869	1 266	218	115	1 599
Vatican City	3	-	-	3	4	-	-	4	3	-	-	3
Subarea Total	5 689	712	304	6 705	5 269	678	287	6 234	4 335	634	303	5 272
Afghanistan	166	13	55	234	163	21	55	239	160	7	60	227
Algeria	191	15	31	237	210	16	28	254	257	14	26	297
Arabia Saudi	1 109	74	15	1 198	1 074	72	13	1 159	834	89	13	936
Azores	9	2	-	11	10	1	1	12	19	-	-	19
Bahrein	288	47	5	340	284	16	8	308	221	9	14	244
Bangladesh	694	116	92	902	749	93	113	955	698	92	82	872
Botswana	36	-	16	52	47	-	10	57	37	-	16	53
Burundi	47	3	27	77	90	1	16	107	56	2	37	95
Cameroon	159	5	3	167	218	6	6	230	133	7	3	143
Canary Is.	72	23	1	96	66	28	-	94	71	21	5	97
Cape Verde	14	-	-	14	33	-	-	33	30	-	-	30
Cent. African Rep.	38	3	20	61	43	1	8	52	46	1	6	53
Ceylon (Srilanka Rep.)	490	40	10	540	559	68	19	646	464	67	17	548
Chad	71	1	28	100	76	4	32	112	62	1	15	78
Comores	1	-	-	1	-	-	-	-	-	3	-	3
Congo-Braz (Congo Rep.)	21	3	36	60	28	3	33	64	20	5	45	70
Congo-Kins (Zaire)	303	22	27	352	396	12	33	441	261	13	31	305
Dahomey	52	2	4	58	67	5	24	96	80	9	18	107
Ethiopia	356	18	6	380	452	29	9	490	340	22	11	373
Eq. Guinea	8	-	11	19	4	-	4	8	7	-	16	23
Faroe Is.	1	-	-	1	3	-	-	3	2	-	-	2
Afar - Issas	49	1	2	52	31	3	-	34	37	1	-	38
Gabon	76	7	17	100	74	6	7	87	77	5	11	93
Gambia	36	6	33	75	40	2	37	79	57	1	24	82
Ghana	470	77	21	568	539	51	22	612	409	34	23	466
Greenland	8	-	-	8	3	-	-	3	4	-	-	4
Guinea	71	3	8	82	82	4	12	98	102	4	21	127
Iceland	163	7	13	183	195	3	23	221	112	-	17	129
India	5 555	474	375	6 404	5 751	478	346	6 575	4 872	416	344	5 632
Iran	2 135	280	218	2 633	2 642	337	242	3 221	2 262	309	206	2 777
Iraq	592	32	22	646	536	24	35	595	483	8	44	535
Israel	1 710	122	40	1 872	1 739	99	43	1 881	1 381	73	33	1 487

MESSAGES FILED DIRECTLY WITH RCA GLOBCOM SHOWN SEPARATELY BY GATEWAY CITY OF ORIGIN AND COUNTRY OF DESTINATION

AREA A (continued)	December 1974				January 1975				February 1975			
	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total
Ivory Coast	185	14	55	254	195	13	65	273	176	16	42	234
Jordan	209	13	32	254	183	7	41	231	169	7	30	206
Kenya	589	59	75	723	699	59	94	852	550	47	66	663
Kuwait	512	49	16	577	544	57	35	636	496	37	29	562
Lebanon	1 087	112	50	1 249	1 254	130	93	1 477	1 018	102	87	1 207
Lesotho	14	-	39	53	15	-	21	36	6	-	17	23
Libya	546	34	26	606	677	30	31	738	589	20	19	628
Maderia Is.	46	-	-	46	33	-	1	34	46	1	2	49
Malagasy	165	24	52	241	184	11	39	234	127	14	23	164
Malawai	44	1	43	88	80	6	18	104	74	5	36	115
Mali	79	-	37	116	108	3	59	170	88	3	68	159
Maritania	33	-	19	52	79	1	16	96	54	2	24	80
Mauritius	85	3	44	132	117	6	45	168	88	2	44	134
Morocco	274	18	7	299	278	27	12	317	219	19	14	252
Mozambique	175	4	-	179	206	5	-	211	172	2	1	175
Muscat - Oman	103	13	14	130	91	6	17	114	109	5	20	134
Nepal	136	16	58	210	147	18	50	215	126	18	48	192
Niger	107	1	8	116	102	3	27	132	62	3	27	92
Nigeria	974	87	108	1 169	1 179	102	100	1 381	961	76	117	1 154
Pakistan	2 165	141	168	2 474	2 115	194	175	2 484	1 793	214	176	2 183
Portuguese Guinea	2	-	-	2	8	-	-	8	7	-	-	7
Qatar	98	4	7	109	111	4	18	133	99	9	18	126
Reunion Is.	3	9	1	13	7	5	-	12	1	5	-	6
Rhodesia, South	46	4	5	55	69	3	5	77	36	3	-	39
Rwanda	43	3	27	73	48	-	40	88	37	-	43	80
St. Helena	-	-	-	-	2	-	-	2	2	-	-	2
Senegal	131	9	73	213	147	12	100	259	126	6	104	236
Seychelles	32	2	1	35	50	-	2	52	32	4	3	39
Sierre Leone	176	3	68	247	229	2	72	303	140	3	69	212
Somalia	153	1	23	177	180	-	23	203	111	2	28	141
So. Africa	1 773	186	39	1 998	1 894	228	39	2 161	1 736	160	37	1 933
So. W. Africa	6	1	-	7	10	-	-	10	4	1	-	5
Sp. Morocco	5	-	-	5	5	-	-	5	8	1	-	9
Sp. Sahara	1	-	-	1	-	-	-	-	1	-	-	1
Sudan (The)	321	14	2	337	384	26	4	414	241	18	5	264
Swaziland	34	-	17	51	50	-	25	75	33	-	30	63
Syria	218	-	44	263	227	3	63	293	234	4	55	293
Tanzania	209	8	46	263	224	5	43	272	180	4	74	258
Togo Rep.	89	-	21	110	98	-	32	130	79	-	21	100
Trucial St.	466	33	12	511	500	49	29	578	413	32	35	480
Tunesia	202	8	91	301	226	17	84	327	169	5	67	241
Turkeu	1 695	101	131	1 927	1 798	96	142	2 036	1 519	77	159	1 755
Uganda	135	1	9	145	216	3	8	227	138	-	22	160
United Arab Rep.	882	109	38	1 029	1 078	82	46	1 206	924	76	41	1 041
Upper Volta	87	-	32	119	117	-	40	157	100	-	16	116
Yemen	106	2	37	145	100	1	51	152	100	2	55	157
Yemen So.	86	1	24	111	80	2	32	114	63	-	23	86
Zambia	281	15	51	347	283	31	38	352	201	19	51	271
Subarea Total	30 010	2 513	2 786	35 309	32 895	2 644	3 056	38 595	27 455	2 250	2 984	32 689

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MESSAGES FILED DIRECTLY WITH RCA GLOBCOM SHOWN SEPARATELY BY GATEWAY CITY OF ORIGIN AND COUNTRY OF DESTINATION

AREA A (continued)	December 1974				January 1975				February 1975			
	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total
Liberia	631	11	143	785	590	13	152	755	586	13	144	743
Austria	354	40	21	415	372	34	12	418	330	37	15	382
Belgium	743	66	30	839	675	76	19	770	603	46	17	666
France	2 436	306	157	2 899	2 049	376	136	2 561	1 811	272	104	2 187
Germany	2 047	361	130	2 538	1 931	325	126	2 382	1 753	236	119	2 108
Germany - East	11	2	-	13	8	2	-	10	8	2	-	10
Subarea Total	2 058	363	130	2 551	1 939	327	126	2 392	1 761	238	119	2 118
Netherlands	815	133	25	973	765	144	35	944	647	130	30	807
Italy	2 825	194	89	3 108	2 617	178	73	2 868	2 323	182	84	2 589
Norway	512	152	39	703	422	120	16	558	397	120	28	545
Czechoslovakia	165	17	3	185	126	20	2	148	112	14	2	128
Denmark	326	81	34	441	247	151	26	424	241	110	12	363
Greece	1 135	96	42	1 273	965	102	43	1 110	689	87	44	820
Hungary	149	17	1	167	137	7	6	150	98	15	3	116
Poland	294	22	5	321	280	19	7	306	214	8	3	225
Roumania	217	19	24	260	195	22	22	239	178	24	20	222
Yogoslavia	568	26	111	705	568	26	101	695	477	34	78	589
Albania	14	-	-	14	11	-	-	11	17	-	-	17
Bulgaria	58	9	1	68	53	10	1	64	49	5	1	55
Estonia	-	-	-	-	-	-	-	-	-	-	-	-
Latvia	-	-	-	-	-	-	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	-	-	-	-	-	-
Luxembourg	70	6	3	79	121	7	2	130	55	8	4	67
Subarea Total	142	15	4	161	185	17	3	205	121	13	5	139
Area A Total	53 897	5 547	4 193	63 637	54 761	5 618	4 302	64 681	46 276	4 795	4 193	55 264

MESSAGES FILED DIRECTLY WITH RCA GLOBCOM SHOWN SEPARATELY BY GATEWAY CITY OF ORIGIN AND COUNTRY OF DESTINATION

AREA B	December 1974				January 1975				February 1975			
	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total
Bahamas	1 043	46	2	1 091	1 204	31	6	1 241	1 073	31	4	1 108
Anguilla	17	5	-	22	19	5	-	24	10	5	-	15
Antigua	117	1	4	122	155	2	3	160	99	2	-	101
Barbados	353	27	21	401	367	27	21	415	320	19	9	348
Bermuda	464	24	5	493	357	19	8	384	282	14	5	301
Carriacou	-	-	-	-	-	-	-	-	-	-	-	-
Cayman Is.	134	17	1	152	205	25	-	230	101	19	-	120
Dominica	23	-	-	23	34	-	-	34	21	-	-	21
Grenada	116	2	1	119	105	5	-	110	69	3	3	75
Montserrat	16	-	-	16	29	1	2	32	18	-	1	19
Nevis	34	5	-	39	24	2	-	26	14	7	-	21
St. Christopher	-	-	-	-	-	-	-	-	-	-	-	-
St. Lucia	67	1	2	70	54	2	-	56	53	1	1	55
St. Vincent	56	1	-	57	104	-	-	104	46	-	-	46
Tobago	5	-	-	5	8	1	-	9	9	2	-	11
Tortola	34	2	-	36	40	2	-	42	22	-	-	22
Trinidad	870	40	26	936	866	56	26	948	691	40	14	745
Turks Is.	3	-	-	3	37	1	-	38	-	-	-	-
Virgin Is. - Gorda	-	-	-	-	-	-	-	-	-	-	-	-
Virgin Is. - British	-	-	-	-	-	-	-	-	-	-	-	-
Subarea Total	2 309	125	60	2 494	2 404	148	60	2 612	1 755	112	33	1 900
Cuba	161	-	15	176	165	2	7	174	168	1	10	179
Dominican Republic	638	35	49	722	640	34	32	706	489	32	27	548
Haiti	500	5	27	532	457	13	26	496	449	17	17	483
Subarea Total	1 138	40	76	1 254	1 097	47	58	1 202	938	49	44	1 031
Jamaica	1 970	75	22	2 067	2 059	70	23	2 152	1 779	94	10	1 883
Puerto Rico	996	117	49	1 162	982	122	21	1 125	866	94	29	989
Curacao	820	52	5	877	837	47	12	896	701	37	5	743
Guadeloupe	90	-	1	91	104	2	-	106	81	-	1	82
Martinique	94	3	5	102	62	7	3	72	49	3	6	58
St. Croix	132	8	6	146	135	15	2	152	121	19	3	143
St. John	3	-	-	3	2	-	-	2	4	-	-	4
St. Marteen	-	-	-	-	-	-	-	-	-	-	-	-
St. Thomas	70	21	4	95	53	16	5	74	49	17	3	69
Subarea Total	1 209	84	21	1 314	1 193	87	22	1 302	1 005	76	18	1 099
Belize	98	16	-	114	103	8	-	111	73	12	2	87

MESSAGES FILED DIRECTLY WITH RCA GLOBCOM SHOWN SEPARATELY BY

GATEWAY CITY OF ORIGIN AND COUNTRY OF DESTINATION

AREA B (continued)	December 1974				January 1975				February 1975			
	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total
Canal Zone	54	25	4	83	63	12	3	78	51	15	6	72
Costa Rica	600	165	11	776	655	123	22	800	567	138	16	721
Guatemala	648	185	37	870	677	140	31	848	587	138	37	762
Honduras	634	141	26	801	711	99	30	840	635	85	17	737
Nicuragua	545	159	32	736	603	156	16	775	484	128	13	625
Panama	702	86	14	802	675	64	14	753	591	54	19	664
Salvador	563	104	11	678	557	86	18	661	471	108	13	592
Subarea Total	3 746	865	135	4 746	3 941	680	134	4 755	3 386	666	121	4 173
Colombia	1 285	133	38	1 456	1 30[illegible]	172	44	1 518	1 153	158	29	1 340
Ecuador	1 079	172	43	1 294	1 066	144	33	1 243	1 036	200	29	1 265
Venezuela	1 539	184	100	1 823	1 493	181	161	1 835	1 272	149	85	1 506
Subarea Total	2 618	356	143	3 117	2 559	325	194	3 078	2 308	349	114	2 771
Argentina	1 480	129	30	1 639	1 401	120	51	1 572	1 012	112	29	1 153
Bolivia	481	103	72	656	511	126	70	707	434	92	104	630
Brazil	3 567	434	94	4 095	3 529	442	89	4 060	2 736	341	74	3 151
Chile	987	111	17	1 115	1 034	106	34	1 174	744	117	22	883
Falkland Is.	2	1	-	3	2	-	-	2	2	-	-	2
Fr. Guiana	13	2	1	16	14	-	2	16	16	-	-	16
Guyana	330	6	6	342	339	9	7	355	204	7	10	221
Paraguay	180	17	29	226	211	16	20	247	199	12	21	232
Peru	864	134	45	1 043	946	151	28	1 125	802	155	25	982
Surinam	209	7	4	220	268	11	2	281	212	9	4	225
Uruguay	641	29	20	690	558	31	20	609	439	31	18	488
Subarea Total	8 754	973	318	10 045	8 813	1 012	323	10 148	6 800	876	307	7 983
Area B Total	25 327	2 830	879	29 036	25 822	2 704	892	29 418	21 304	2 518	721	24 543

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GATEWAY CITY OF ORIGIN AND COUNTRY OF DESTINATION

AREA C	December 1974				January 1975				February 1975			
	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total
Hawaii	459	253	30	742	488	247	27	762	501	184	23	708
Guam	156	111	7	274	142	128	3	273	110	95	4	209
Midway	1	-	-	1	-	-	-	-	-	-	-	-
Samoa British	14	31	22	67	10	47	27	84	10	29	18	57
Samoa Island	19	99	5	123	20	81	8	109	33	86	3	122
Cook Is.	1	2	-	3	11	2	-	13	6	1	2	9
Fiji Is.	64	69	15	148	81	70	18	169	55	55	13	123
Gilbert & Ellice	-	-	-	-	2	2	-	4	-	1	-	1
Nauru Is.	2	10	-	12	4	-	-	4	1	-	-	1
Norfolk Is.	2	1	-	3	4	-	-	4	1	-	-	1
Papua	46	44	28	118	47	29	20	96	23	23	25	71
Pitcairn	5	-	-	5	-	-	-	-	-	-	-	-
Solomon Is.	6	1	-	7	19	2	-	21	22	-	1	23
Tonga Is.	-	11	34	45	5	3	32	40	7	2	30	39
Subarea Total	126	138	77	341	173	108	70	351	117	82	71	270
French Polynesia	89	244	2	335	87	220	5	312	37	206	2	245
New Caledonia	15	31	-	46	24	25	-	49	17	26	1	44
New Hebrides	35	27	-	62	67	19	1	87	25	21	4	50
Portugese Timor	9	2	-	11	10	2	-	12	12	1	-	13
Subarea Total	2 649	738	123	3 510	2 573	860	109	3 542	2 442	745	94	3 281
Hongkong	3 065	938	27	4 030	3 086	1 065	46	4 197	2 440	692	18	3 150
China	444	94	12	550	473	59	9	541	459	54	12	525
Macao	22	1	-	23	20	6	-	26	7	-	1	8
Mongolia	6	-	-	6	4	1	-	5	3	-	-	3
Subarea Total	472	95	12	579	497	66	9	572	469	54	13	536
Burma	172	15	60	247	131	18	80	229	114	11	91	216
Indonesia	1 609	385	92	2 086	1 522	361	111	1 994	1 354	336	133	1 823
Formosa	2 574	666	33	3 273	2 614	717	29	3 360	2 135	543	20	2 698
Cambodia	167	16	12	195	171	10	8	189	130	2	5	137
Laos	41	15	14	70	32	16	9	57	34	19	11	64
Vient Nam-North	1	-	2	3	4	-	2	6	3	-	-	3
Vient Nam-South	629	338	45	1 012	682	360	32	1 074	509	251	41	801
Subarea Total	838	369	73	1 280	889	386	51	1 326	676	272	57	1 005
Caroline Is.	-	70	-	70	1	97	-	98	1	70	1	72
Japan	3 789	1 272	157	5 218	3 563	1 150	123	4 836	3 342	908	152	4 402
Mariana	10	32	2	44	10	46	-	56	6	21	1	28
Marshall	3	21	-	24	2	31	-	33	1	35	-	36
Subarea Total	3 802	1 395	159	5 356	3 576	1 324	123	5 023	3 350	1 034	154	4 538

Attachment 9, Page 7 of 7

MESSAGES FILED DIRECTLY WITH RCA GLOBCOM SHOWN SEPARATELY BY

GATEWAY CITY OF ORIGIN AND COUNTRY OF DESTINATION

AREA C (continued)	December 1974				January 1975				February 1975			
	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total	New York	San Fran.	Wn. D.C.	Total
Korea	2 274	432	83	2 789	2 036	541	94	2 671	1 933	444	67	2 444
Brunei	34	8	-	42	33	12	-	45	17	5	-	22
Christmas Is.	-	-	-	-	-	-	-	-	-	-	-	-
Cocos-Keel	-	1	-	1	-	-	-	-	-	-	-	-
Malaysia	884	341	9	1 234	1 038	364	24	1 426	764	284	22	1 070
Singapore	1 230	724	19	1 973	1 336	790	9	2 135	1 055	588	17	1 660
Subarea Total	2 148	1 074	28	3 250	2 407	1 166	33	3 606	1 836	877	39	2 752
Philippine Is.	1 923	969	71	2 963	1 679	865	82	2 626	1 436	727	73	2 236
Thailand	1 328	454	157	1 939	1 402	456	150	2 008	1 178	438	127	1 743
AREA C TOTAL	23 777	8 466	1 061	33 304	23 433	8 702	1 058	33 193	20 225	6 903	1 012	28 140
ALL AREA TOTAL	103 001	16 843	6 133	125 977	104 016	17 024	6 252	127 292	87 805	14 216	5 926	107 947

Attachment 10, Page 1 of 1

DIRECT FILE MESSAGES BY ORIGIN AND SOURCE OF ENTRY INTO THE RCA GLOBCOM SYSTEM

December 1974

	New York		San Fran.		Wn. D.C.		Total	
	No.	%	No.	%	No.	%	No.	%
Public Offices	25 750	25	168	1	3 312	54	29 230	23
Tielines	64 891	63	14 148	84	2 085	34	81 124	64
Telephone	12 360	12	2 527	15	736	12	15 623	13
1) Total	103 001	100	16 843	100	6 133	100	125 977	100

January 1975

	New York		San Fran.		Wn. D.C.		Total	
	No.	%	No.	%	No.	%	No.	%
Public Offices	28 084	27	170	1	3 689	59	31 943	25
Tielines	64 490	62	14 471	85	1 938	31	80 899	64
Telephone	11 442	11	2 383	14	625	10	14 450	11
1) Total	104 016	100	17 024	100	6 252	100	127 292	100

February 1975

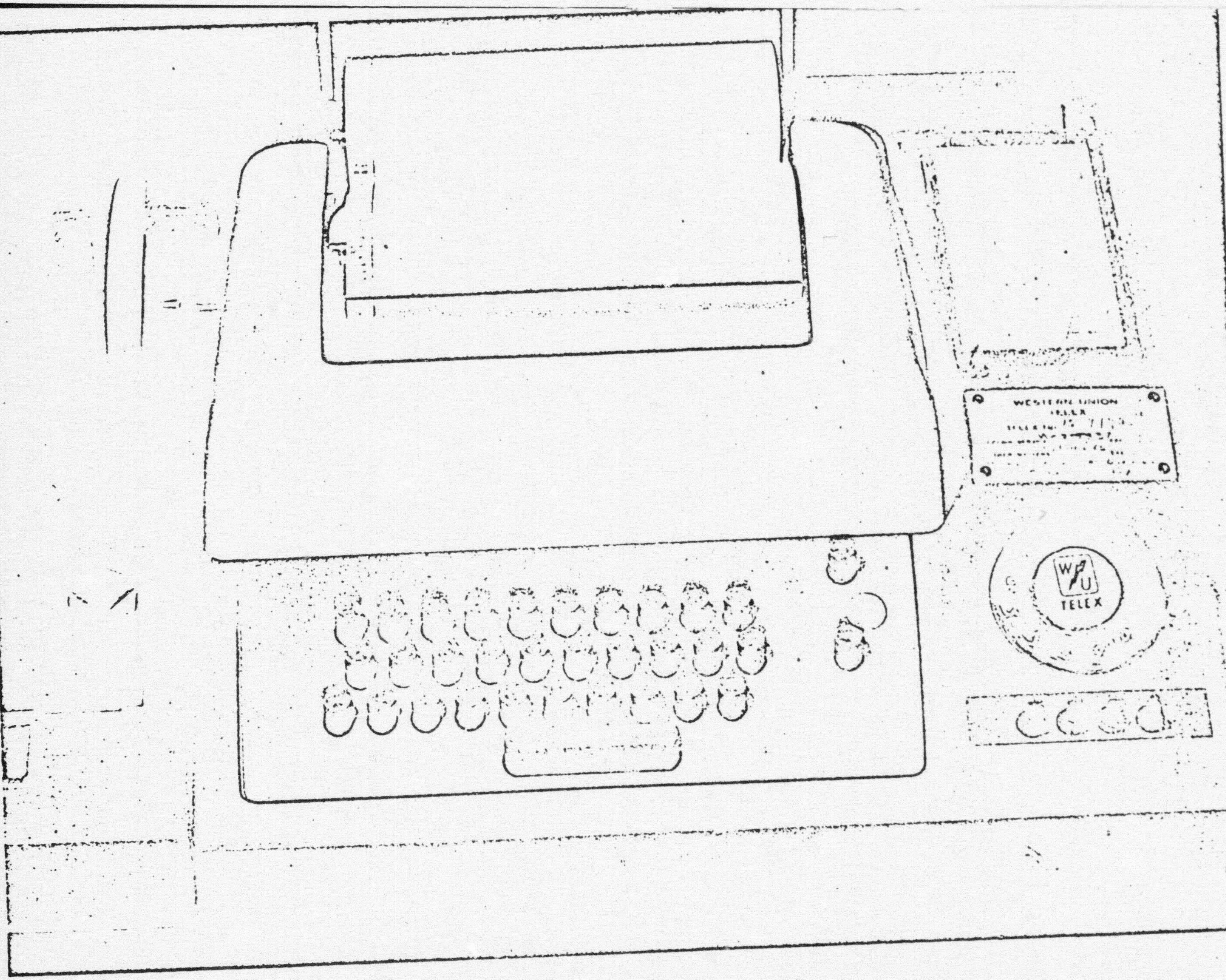
	New York		San Fran.		Wn. D.C.		Total	
	No.	%	No.	%	No.	%	No.	%
Public Offices	22 829	26	142	1	3 615	61	26 586	25
Tielines	54 439	62	12 084	85	1 837	31	68 360	63
Telephone	10 537	12	1 990	14	474	8	13 001	12
1) Total	87 805	100	14 216	100	5 926	100	107 947	100

December - January Total

	New York		San Fran.		Wn. D.C.		Total	
	No.	%	No.	%	No.	%	No.	%
Public Offices	76 663	26	480	1	10 616	58	87 759	24
Tielines	183 820	62	40 703	85	5 860	32	230 383	64
Telephone	34 339	12	6 900	14	1 835	10	43 074	12
1) Total	294 822	100	48 083	100	18 311	100	361 216	100

1) The totals are actual direct file messages (pickups) as reported to the International Quota Bureau. The breakdown as to source of entry into RCA Globcom's system is based on percentages derived from monthly load log reports.

Attachment 11


WESTERN UNION
TELEX
WU
TELEX

Attachment 12

AFFIDAVIT OF ROBERT J. ANGLISS

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Robert J. Angliss, being duly sworn, upon oath deposes and states as follows:

I am Executive Vice President, Services, of RCA Global Communications, Inc. (RCA Globcom). As such I have responsibility for the marketing and sales of RCA Globcom's international telex and telegram services. I am familiar with the statements of fact set forth in that part of the foregoing "Supplemental Comments" dealing with the draft proposal of the Office of Telecommunications, U.S. Department of Commerce. To the best of my knowledge they are true and correct.

Robert J. Angliss

Robert J. Angliss

Subscribed and sworn to before me this 29th day of July, 1975.

Charles M. Lehrhaupt

Notary Public

CHARLES M. LEHRHAUPT
NOTARY PUBLIC, STATE OF NEW YORK
No. 43-7478680
Qualified in Richmond County
Commission Expires March 30, 1976

My Commission expires:

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

560

In the Matter of)
)
International Record Carriers' Scope)
of Operations in the Continental)
United States, Including Possible) Docket No. 19660
Revisions to the Formula Prescribed) RM-690
Under Section 222 of the Communications)
Act)

SUPPLEMENTAL COMMENTS OF ITT WORLD COMMUNICATIONS INC.

ITT World Communications Inc. (ITT Worldcom) hereby submits its supplemental comments (pursuant to the authorization of the Commission's Memorandum Opinion and Order, FCC 75-617, (Order), released June 6, 1975, in the above captioned proceeding) addressed to the impact or effect upon the issues designated in this proceeding of the study of outbound international message traffic conducted by The Western Union Telegraph Company (Western Union).

In its Comments, Responsive Comments and Reply Comments[1/] in this proceeding, ITT Worldcom has already shown from a qualitative standpoint that the 30-plus year old International Formula with its quotas tied to 1942 (or earlier) market shares is sorely outdated and has for many years produced increasingly

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[1/] Dated July 8, August 16, and September 3, 1974 respectively arbitrary and inequitable distributions of unrouted outbound message telegraph traffic. That Formula obviously does not serve the public interest and must be revised. Specifically, ITT Worldcom showed that the concepts in the present Formula of (1). fixed quotas tying both routed and unrouted traffic to 1942 (or earlier) market share; (2) accumulation and continued application of "overages" and "deficiencies"; (3) Schedule B, which is nothing more than a private market-sharing agreement; and (4) the designation of certain Western Union offices in gateway cities as offices of Western Union International, Inc. (WUI) are all seriously in conflict with the public interest and the formula mandates of Section 222 of the Communications Act and must be excised from the Formula. ITT Worldcom further urged that the revised Formula be based on the simple, and clearly equitable principle that unrouted traffic be distributed in proportion to the traffic specifically routed to a given carrier via its authorized direct circuits to a particular point.

While such a qualitative analysis establishes the unlawfulness of the existing Formula beyond reasonable doubt, the quantitative results from the Western Union traffic study do provide dramatic illustration of the unjust, unreasonable and grossly inequitable results perpetuated by that Formula.

EXISTING TRAFFIC DISTRIBUTION

The Western Union study analyzed all traffic transferred to the U.S. international record carriers during the thirteen week period beginning Sunday, December 1, 1974 and ending Saturday, March 1, 1975. The results of the Western Union study were reported separately for each of the thirteen weeks of the study. In order to make that data more readily usable for analysis and interpretation, the International Quota Bureau (I.Q.B.), on behalf of the participating international record carriers (IRC's), undertook to compile or summarize the thirteen weekly reports into a single report covering the three month (13 weeks) period. These IQB data were then arranged by ITT Worldcom so as to show, by carrier, a breakdown between routed and unrouted Western Union transfers for each destination (using IQB "Area" and "Subarea" classifications) and as between gateway and hinterland origins. A tabulation of this analysis is shown in Tables I (routed traffic) and II (unrouted traffic) attached hereto.[2] While the data in those Tables is largely self-explanatory, a few examples from those Tables will be highlighted hereafter for illustrative purposes.

Considering first the overall perspective (combined origins and total destinations), of the 687,568 unrouted messages transferred to the IRCs by Western Union during the test period, 11.4 percent went to ITT Worldcom, 48.4 percent to RCA Global Communications, Inc. (RCA Globcom), 37.9 percent to WUI, 1.4 percent to TRT Telecommunications Corporation (TRT), and 0.9 percent to United States - Liberia Radio Corporation and French Telegraph Cable Company combined (hereafter "Other"). Correspondingly, for the

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[2] The level of destination analysis in Tables I & II is limited to Area and Overall totals. While these data are developed from an analysis of individual Subareas--those "work papers" will be available to the Commission or any party upon request therefor -- it is felt that inclusion in the Tables of the large volume of data from the Subarea analysis would likely add more "clutter" than clarity as respects the issues of this proceeding.

202,455 total routed messages 3/ transferred by Western Union to the IRCs, 34.2 percent went to ITT Worldcom, 31.7 percent to RCA Globcom, 28.5 percent to WUI, 5.3 percent to TRT, and 0.3 percent to other. Illustrated in tabular form the comparison would be:

Carrier	Unrouted Transfers		Routed Transfers	
	Messages	Percent of Total	Messages	Percent of Total
ITT Worldcom	78,557	11.4%	69,328	34.2%
RCA Globcom	332,359	48.4%	64,179	31.7%
WUI	260,538	37.9%	57,676	28.5%
TRT	9,774	1.4%	10,740	5.3%
Other	6,340	0.9%	532	0.3%
Total:	687,568		202,455	

These comparisons present a graphic picture of the unjustness and inequity produced by the present formula distribution. A carrier which has gained a "vote of confidence" from those

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3/ Excluded from the routed traffic total are 8,098 messages filed in Western Union gateway city offices which are presumed by the Formula to be specifically routed via WUI. For purpose of this analysis, these messages can be roughly analogized to gateway "pickups" of the other IRC's and which, by definition, are not included in the Western Union "transfers".

users making a deliberate choice of carrier, greater than that of any other carrier, is "rewarded" by this Formula with slightly more than 10 percent of the traffic not specifically routed by the sender, while the other two major international record carriers receive approximately 50 and 40 percent, respectively, of that traffic.

On an Area basis the comparisons are equally striking.4/ Considering first Area A,4a/ the 492,339 messages in the study period were broken down between routed and unrouted traffic

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4/ Note should be made at this point of a judgmental allocation respecting the distribution between carriers of part of the unrouted traffic pool at the Area and subarea level, which was required due to a minor infirmity in the Western Union study. For the so-called "exclusive" unrouted traffic (i.e., all unrouted traffic to a particular point being given to a single carrier) which comprises about two-thirds of the unrouted traffic pool, distribution is handled through Western Union's central message processing computer at Middletown, Virginia, and this traffic is broken down to the same detail in the study as is the "prerouted" traffic. For the remaining "non-exclusive" unrouted traffic, however, Western Union's computer only recognizes the origin and destination, not the carrier via which the traffic is ultimately routed. Western Union also provided the results of a manual study performed at the Minneapolis quota center (where the unrouted "non-exclusives" are "routed" to specific carriers) over the same period, which does provide a breakdown between carriers by subarea. Using the percentage distributions between carriers from the Minneapolis study and the "non-exclusive" origin/destination statistics from the computer study, we have arrived at distribution of these data comparable to that of the routed and "exclusive" unrouted traffic.

4a/ Area A comprises, generally, the Atlantic area.

and by carrier as follows:

Carrier	Unrouted Transfers		Routed Transfers	
	Messages	Percent of Total	Messages	Percent of Total
ITT Worldcom	36,501	9.1%	27,277	31.8%
RCA Globcom	190,750	47.2%	27,683	32.3%
WUI	174,778	43.3%	28,031	32.7%
TRT	---	---	2,273	2.7%
Other	1,459	0.4%	450	0.5%
Total:	403,488		85,714	

For Area B,[4b] the comparisons are:

Carrier	Unrouted Transfers		Routed Transfers	
	Messages	Percent of Total	Messages	Percent of Total
ITT Worldcom	36,309	24.5%	23,867	37.8%
RCA Globcom	16,543	11.2%	13,890	22.0%
WUI	85,460	57.7%	17,571	27.8%
TRT	9,774	6.6%	7,778	12.3%
Other	---	---	28	0.1%
Total:	148,086		63,134	

[4b] Area B comprises, generally, the Latin American area.

And for Area C,[4c] the comparative statistics are:

Carrier	Unrouted Transfers		Routed Transfers	
	Messages	Percent of Total	Messages	Percent of Total
ITT Worldcom	5,747	4.2%	18,184	33.9%
RCA Globcom	125,066	92.0%	22,606	42.2%
WUI	300	0.2%	12,074	22.5%
TRT	---	---	689	1.3%
Other	4,881	3.6%	54	0.1%
Total:	135,994		53,607	

Thus, whether viewed from a world-wide perspective or upon a geographical Area basis, the conclusion to be drawn from these data is obvious. The distribution of unrouted outbound message traffic to the international record carriers pursuant to the existing Formula is grossly disproportionate to any imaginable standard which might be established for accomplishing a just, reasonable and equitable distribution of such traffic. A distribution of unrouted traffic proportionate to customer-routed traffic as proposed by ITT Worldcom, or even an equal distribution among all carriers serving a given distribution as proposed by TRT, would obviously produce sharply different results from the existing distribution. But even from a conceptual point of view, it would be impossible for any Formula to satisfy the mandate of

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[4c] Area C comprises, generally, the Pacific area.

Section 222 that such a formula be"just, reasonable, equitable and in the public interest" and to also "fit" the highly skewed distribution of unrouted traffic produced by the present Formula.

TRAFFIC DISTRIBUTION PURSUANT TO ITT WORLDCOM PROPOSAL

As heretofore stated, ITT Worldcom has urged that the Formula should be revised so as to distribute unrouted traffic in proportion to the routed traffic received by a carrier for routings via authorized direct circuits.[5]

In order to quantify the effect, in terms of changed traffic distribution, of this proposed revision as compared with the existing Formula, two additional sets of data have been included in the heretofore referenced Tables I & II. First, in Table I, respecting routed traffic, a second set of data has been added to reflect an adjustment to the Western Union statistics so as to exclude traffic moving via indirect routings. These data are headed "Routed Transfers - Indirect Routings Excluded".

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[5] The necessity for excluding traffic via indirect routings was explained at pp. 14-15 of ITT Worldcom's Response filed August 16, 1974.

Having adjusted the Western Union data to eliminate indirect routings from the routed traffic statistics, the percentage distribution, by carrier and subarea, so determined were then applied to the unrouted traffic pool on a comparable basis. This analysis yields a new unrouted distribution in accordance with ITT Worldcom's proposed revisions, i.e., distributed in proportion to routed traffic via authorized direct routings. This distribution is shown in Table II under the heading "Unrouted Transfers - Proposed Distribution".[5a/]

A comparison from Table II of the existing unrouted traffic with the distribution as proposed by ITT Worldcom is shown for combined U. S. origins, in the last column on Table II, headed "Net Change - Number of Messages Transferred". As is apparent from the "Net Change" data, Formula revision as proposed would result in some relatively significant shifts of unrouted traffic between carriers. This should not be surprising in view of the long overdue need for revision of the existing Formula. This factor should be recognized by the Commission in dealing with any

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[5a/] This redistribution of unrouted traffic is actually computed at the subarea level, with the subarea message distributions summed to yield Area distributions. The percentages shown in the Table are computed on the basis of the Area message totals. Therefore some slight differences may exist between the percentages shown in Tables I & II for the adjusted routed distribution and the resultant unrouted distribution.

arguments seeking modification of the plainly required revisions to the Formula so as to reduce the magnitude of the changed traffic distribution resulting from such a revised Formula.

CONCLUSION

In its previous comments in this proceeding ITT Worldcom has shown,qualitatively , beyond reasonable doubt that the existing Formula is now and has for a number of years been unjust, unreasonable, inequitable and not in the public interest. The data from the Western Union traffic study have now dramatically illustrated the correctness of that qualitative analysis. ITT Worldcom therefore requests that the Commission now declare the existing Formula to be unlawful and prescribe a new Formula which would allocate unrouted traffic in proportion to routed traffic received by a carrier for transmission over its authorized direct circuits.

Respectfully submitted,

ITT World Communications, Inc.

By Howard A. White/jal

Howard A. White

John A. Ligon

John A. Ligon

Its Attorneys
67 Broad Street
New York, New York 10004

Of Counsel:

John F. Gibbons, Esq.

Dated: August 1, 1975

TABLE I - OUTBOUND INTERNATIONAL MESSAGE TRAFFIC TRANSFERRED TO INTERNATIONAL RECORD CARRIERS - ROUTED TRAFFIC

		ROUTED TRANSFERS* - WESTERN UNION STUDY						ROUTED TRANSFERS - INDIRECT ROUTINGS EXCLUDED **					
		GATEWAY	HINTERLAND			ALL ORIGINS		GATEWAY	HINTERLAND			ALL ORIGINS	
CARRIERS	IQB AREA	MESSAGES	%	MESSAGES	%	MESSAGES	%	MESSAGES	%	MESSAGES	%	MESSAGES	%
ITT WORLDCOM	A	1312	15.8	25965	33.6	27277	31.8	1301	16.1	25902	34.0	27203	32.3
	B	3129	35.6	20738	38.1	23867	37.8	3129	37.0	20738	39.2	23867	38.9
	C	962	26.7	17222	34.4	18184	33.9	962	28.5	17222	36.1	18184	35.6
	TOTAL	5403	26.1	63925	35.2	69328	34.2	5392	27.1	63862	36.2	69254	35.2
RCA GLOBCOM	A	1509	18.2	26174	33.8	27683	32.3	1509	18.6	26174	34.4	27683	32.9
	B	929	10.6	12962	23.8	13890	22.0	914	10.8	12818	24.2	13732	22.4
	C	1281	35.5	21325	42.6	22606	42.2	1281	38.0	21325	44.6	22606	44.3
	TOTAL	3718	18.0	60461	33.3	64179	31.7	3704	19.5	60317	34.1	64021	32.6
WUI	A	4490	54.0	23541	30.4	28031	32.7	4469	55.2	23421	30.8	27890	33.2
	B	4123	46.9	13448	24.7	17571	27.8	3866	45.7	12836	24.3	16702	27.2
	C	1280	35.5	10794	21.6	12074	22.5	1087	32.2	9099	19.1	10186	19.9
	TOTAL	9893	47.8	47783	26.3	57676	28.5	9422	47.3	45356	25.7	54778	27.9
TRT	A	914	11.0	1359	1.8	2273	2.7	750	9.3	354	0.5	1104	1.3
	B	594	6.8	7184	13.2	7778	12.3	552	6.5	6485	12.3	7037	11.5
	C	79	2.2	610	1.3	689	1.3	43	1.3	81	0.2	124	0.2
	TOTAL	1587	7.7	9153	5.0	10740	5.3	1345	6.7	6920	3.9	8265	4.2
OTHER	A	87	1.0	363	0.4	450	0.5	63	0.8	210	0.3	273	0.3
	B	3	0.1	25	0.1	28	0.1	-	-	-	-	-	-
	C	4	0.1	50	0.1	54	0.1	-	-	-	-	-	-
	TOTAL	94	0.4	438	0.2	532	0.3	63	0.3	210	0.1	273	0.3
ALL	A	8312		77402		85714		8092		76061		84153	
	B	8777		54357		63134		8461		52877		61338	
	C	3606		50001		53607		3373		47727		51100	
	TOTAL	20695		181760		202455		19926		176665		196591	

NOTES:
- * Routed figures exclude WUI messages picked up by WUT in the gateways.
- ** Excludes all messages to countries where carrier must forward indirectly.

Source for all data: Traffic study conducted by The Western Union Telegraph Company for period - December 1, 1974 to March 1, 1975.
(marine traffic excluded)

TABLE II - OUTBOUND INTERNATIONAL MESSAGE TRAFFIC TRANSFERRED TO INTERNATIONAL RECORD CARRIERS - UNROUTED TRAFFIC

		UNROUTED TRANSFERS - CURRENT DISTRIBUTION * GATEWAY		HINTERLAND		ALL ORIGINS		UNROUTED TRANSFERS - PROPOSED DISTRIBUTION ** GATEWAY		HINTERLAND		ALL ORIGINS		NET CHANGE NUMBER OF MESSAGES TRANSFERRED (ALL ORIGINS)
CARRIER	IOB AREA	MESSAGES	%	MESSAGES	%	MESSAGES	%	MESSAGES	%	MESSAGES	%	MESSAGES	%	
ITT Worldcom	A	4662	.8	31839	9.1	36501	9.1	9906	18.6	120638	34.4	130544	32.3	+ 94043
	B	4403	20.1	31906	25.3	36309	24.5	8084	36.9	49648	39.3	57732	39.0	+ 21423
	C	773	5.6	4974	4.1	5747	4.2	3969	28.6	45031	36.9	48999	36.0	+ 43252
	TOTAL	9838	11.0	68719	11.5	78557	11.4	21959	24.6	215317	36.0	237275	34.5	+ 158718
RCA Globcom	A	26143	49.0	164607	47.0	190750	47.2	11792	22.1	115365	33.0	127157	31.5	(63593)
	B	2963	13.5	13580	10.8	16543	11.2	2532	11.6	26775	21.2	29307	19.8	+ 12764
	C	12642	91.1	112424	92.1	125066	92.0	5579	40.2	54952	44.9	60531	44.6	(64535)
	TOTAL	41748	46.9	290611	48.6	332359	48.4	19903	22.3	197092	32.9	216995	31.5	(115364)
WUI	A	22196	41.6	152582	43.6	174778	43.3	28304	52.9	110678	31.6	138982	34.4	(35796)
	B	13261	60.5	72199	57.2	85460	57.7	10008	45.6	36649	29.1	46657	31.5	(38803)
	C	41	.3	259	.2	300	.2	4099	29.5	21922	18.0	26021	19.1	+ 25721
	TOTAL	35498	39.8	225040	37.6	260538	37.9	42411	47.6	169249	28.3	211660	30.8	(48878)
TRT	A	-	-	-		-		2809	5.3	2184	.6	4993	1.3	+ 4993
	B	1285	5.9	8489	6.7	9774	6.6	1288	5.9	13102	10.4	14390	9.7	+ 4616
	C	-	-	-		-		233	1.7	210	.2	443	.3	+ 443
	TOTAL	1285	1.4	8489	1.4	9774	1.4	4330	4.9	15496	2.6	19826	2.9	+ 10052
Other	A	378	.7	1081	.3	1459	.4	568	1.1	1244	.4	1812	.5	+ 353
	B	-	-	-		-		-		-		-	-	-
	C	423	3.0	4458	3.6	4881	3.6	-		-		-	-	(4881)
	TOTAL	801	.9	5539	.9	6340	.9	568	.6	1244	.2	1812	.3	(4528)
ALL	A	53379	100.0	350109	100.0	403488	100.0	53379	100.0	350109	100.0	403488	100.0	
	B	21912	100.0	126174	100.0	148086	100.0	21912	100.0	126174	100.0	148086	100.0	
	C	13879	100.0	122115	100.0	135994	100.0	13879	100.0	122115	100.0	135994	100.0	
	TOTAL	89170	100.0	598398	100.0	687568	100.0	89170	100.0	598398	100.0	687568	100.0	

NOTES: * Unrouted "non-exclusive" was allocated between carriers on basis of the manual distribution performed at Minneapolis Quota Center.

** "Area" percentages may not exactly correspond with comparable base distribution percentages from TABLE I due to actual analysis being performed at Subarea level.

Source for all data: Traffic Study Conducted by The Western Union Telegraph Company for Period December 1, 1974 to March 1, 1975.
(marine traffic excluded

CERTIFICATE OF SERVICE

I, Joanne E. Lucey, hereby certify that on this 1st day of August, 1975, I mailed a copy of the foregoing "Supplemental Comments" by United States Mail, postage prepaid, to the following persons:

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Joanne E. Lucey

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
International Record Carriers' Scope) Docket No. 19660
of Operations in the Continental United) RM-690
States, Including Possible Revisions to)
the Formula Prescribed under Section 222)
of the Communications Act.)

To: The Commission

SUPPLEMENTAL COMMENTS OF WESTERN UNION INTERNATIONAL, INC.

Western Union International, Inc. (WUI) hereby submits its supplemental comments in response to the Commission's Memorandum Opinion and Order released June 6, 1975 herein.

From the comments filed in this case to date, and an examination of the study performed by The Western Union Telegraph Company (WUTelCo) on outbound transfer traffic, a few salient facts emerge. Among these facts are that the proposals of ITT World Communications Inc. (ITT) and TRT Telecommunications Corp. (TRT) (that unrouted traffic to each destination be distributed in the same proportion as routed traffic) is not as simple as it would appear on first glance. It is not equitable, and in fact is as arbitrary as any other method yet devised for distributing unrouted traffic. Analysis of the study and of the operating results of the International Formula show that the Formula is performing its function well, is not inequitable, and it does not have any deleterious effect on the public whatsoever.

WUI Proposals for Formula Revisions

As WUI has pointed out in previous comments, it does not believe that any revision to the Formula is necessary. The industry has provided excellent service to the public for many years under the Formula, and can continue to do so for many more years. There are other pressing regulatory matters of higher priority and greater public interest which interact with the Formula issues. Depending upon the manner of resolution of the newly announced expanded gateway proceedings, the significance of any Formula revisions could pale. There is keen competition for international message traffic, and it is not inhibited by the Formula. Nevertheless, WUI recognizes that certain features of the Formula were designed in the light of circumstances that may have evolved since adoption. Consequently, WUI presents herewith three alternative proposals for action leading to a streamlining of the operation of the Formula. WUI believes that adoption of any one of these proposals will be of more benefit to the public and the industry than the ill-considered ITT/TRT proposal. These proposals are submitted in response to the Commission's Order and do not constitute any waiver of WUI's previously asserted statutory hearing rights.

Proposal No. 1

WUI firmly believes that the carriers themselves could amicably work out amendments to the Formula which would be acceptable to all carriers. The mechanism for the resolution of any inter-carrier conflicts already exists in the International Formula Committee (IFC). The IFC was set up pursuant to the provision of Article XI of the Formula, which provides *inter alia* that

> "In the event there is disagreement among the members of the Committee with respect to any feature of the distribution of traffic under the formula, the disagreement shall be submitted to the interested carriers, including the Merged Company."

The proposals of ITT, TRT, WUI and any other carriers caring to submit proposals could be discussed in the IFC, and amendments to the Formula adopted, for ultimate approval by the Commission. However, a principal reason why the IFC has not been used to resolve differences between carriers as to Formula revision is that there is an imbalance of voting power within the

Committee. This is due to the fact that ITT casts four votes in the Committee, derived from All-America Cables and Radio, Mackay Marine Corp., Commercial Pacific Cable Company and Globe Wireless Incorporated. RCA Global Communications, Inc. (RCA) casts two votes, its own and that of Radiomarine Corporation of America. All other carriers have one vote each. Since ITT and RCA have such a disproportionate weight in the IFC, other carriers have been reluctant to submit disputes to this Committee for resolution. WUI therefore recommends that the Formula be amended by the Commission to provide that each carrier now operating as a unit be accorded only one vote in the International Formula Committee. Thereupon, the entire question of substantive Formula revision can be brought up promptly for resolution and recommendation to the FCC of possible changes acceptable to all concerned. An active participation by the Commission's staff in the IFC would be welcomed, and would materially assist the carriers' efforts to reach a consensus.

Proposal No. 2

Over the term of the operation of the Formula, the proportionate distribution of unrouted traffic to most areas of the world has become relatively static. Some sub-areas have been distributed in the same manner for over twenty years. WUTelCo's international distribution center in Minneapolis and the operations of the International Quota Bureau (IQB) for collection of data and formulation of instructions have thus served to govern the distribution of only a small percentage of traffic. Consequently they can be eliminated with only a small loss of flexibility. To simplify and streamline the operation of the Formula, WUI proposes the following:

> All unrouted transfer traffic will be distributed to the international carriers in the same ratio as the distribution of unrouted traffic that was made during the period of the WUTelCo study of outbound international traffic (December 1974 - February 1975). Routed and self-originated traffic will not be considered in determining distributions.

The advantages of this proposal are many.* WUTelCo's study provides in a convenient form, all of the data needed to implement the proposal. Each carrier would have a known proportion of unrouted traffic and can plan its circuitry and plant facilities with assurance. The extensive manpower now needed by WUTelCo to apportion message traffic will become unnecessary, since the stability of quotas will facilitate reliable computerization of the distribution process by WUTelCo. The collection of data by the IRC's for the purpose of applying the Formula will not be needed, since routed and self-originated traffic will be irrelevant, and data for unrouted traffic is already available. The collection of statistics and the formulation of international instructions by the IQB will become redundant, and the costs associated with both the Minneapolis operation and the IQB will be eliminated.

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* ITT proposed a very similar arrangement in 1968. Although ITT's proposal was adopted by the IFC, it was not implemented. Minutes of the IFC, July 10, 1968, Paragraph 5.

The only aspect of the present operation of the Formula that has been alleged to be contrary to the public interest -- the fact that in a few sub-areas, the gain of a routed message results in the loss of an unrouted message -- will no longer be present. Each international carrier can solicit routings and direct filings without fear of loss of unrouted traffic. Assuming *arguendo* the validity of ITT's doubtful thesis concerning "disincentives" to good service to these sub-areas (discussed elsewhere herein), it will no longer be relevant under WUI's proposal.

Proposal No. 3

In order to simplify the operation of the Formula and to modernize certain of its features, WUI offers the following package of amendments. Since some carriers would be benefited by some of the amendments to follow, and others by different amendments, this proposal is submitted as an inseparable package.

1. Replace the separate "gateway" and "hinterland" quotas by one composite nationwide quota, derived from the weighted average of the gateway and hinterland quotas for each destination. This amendment would reduce by half the number of international instructions that WUTelCo must follow. There would be no net effect on any carrier, since any loss in one quota would be exactly compensated by a gain in the other. It would greatly simplify the collection of data and formulation of international instructions since the gateway-hinterland distinction (which is irrelevant to the purposes of the Formula) would be removed. This proposal would also eliminate any sources of conflict over what traffic is to be considered gateway.*

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* Some traffic originating in the gateway cities but filed with WUTelCo's CTB's, its Middletown, Va., computer facility or with its Moorestown international center is deemed by WUTelCo to be hinterland traffic but considered by WUI to be gateway traffic.

2. Eliminate WUI's exclusive right to all traffic filed with WUTelCo offices in Manhattan south of 60th Street, and at designated WUTelCo offices in Washington and San Francisco; with WUI having the same right to collect traffic in those cities as the other IRC's located there. This would place all carriers on an even footing and would eliminate one of ITT's objections to the present Formula. If this Proposal No. 3 is adopted by the Commission in its entirety, WUI would exercise its right of cancellation of appropriate provisions of its Domestic Facilities Agreement with WUTelCo.

3. Change the basis of the quota from gross international tolls to numbers of messages, and eliminate reporting of tolls. This would simplify accounting and collection of statistics, without significantly affecting any carrier. Of course, WUTelCo would be obligated to distribute unrouted messages impartially among the IRC's so that none would be favored disproportionately with longer messages, or classes of messages with higher tolls.

4. Eliminate specialized treatment given to certain classes of service, such as governmental and press traffic, and treat all messages the same regardless of class. This would eliminate complications in reporting data and in WUTelCo's application of quotas.

In the absence of indication that the mix of the classes of messages varies from point to point, there should be no net effect upon the distribution of traffic.

5. Eliminate Schedule B. This is a special arrangement whereby certain traffic is transferred to RCA in accordance with an agreement which was based on conditions that have long ago been superseded. At the time of the merger of WUTelCo with the Postal Telegraph System (Postal), RCA had its own delivery system for inbound messages. Since it nonetheless transferred messages to WUTelCo for delivery, it was accorded the bulk of Western Union Cables' quota traffic in compensation, as a form of reverse proportionate return. Whatever the merits of this scheme may have been in 1943, there is no justification for its retention today. Neither RCA nor any other IRC has a delivery mechanism for inbound cables beyond its gateways (other than the limited direct access service), and RCA is no more entitled to a proportionate return than any other carrier. Over thirty years of benefits under Schedule B more than compensate RCA for any equities it had at the time of merger.

6. Eliminate the Area A, B, and C and all sub-area classifications and treat each destination country as a separate area. The quota to each destination would be the same

as that of the sub-area to which the destination presently belongs. Since the operations of the international carriers and WUTelCo are now computerized, the end result should be ease of operation even though the actual number of quotas involved increases. This is due to the fact that computerized operation now requires a separate function to determine the area and sub-area classification, which could be eliminated.

7. Adopt ITT's suggestion for elimination of quotas for both Canadian carriers. One carrier (Canadian National Railway Company) has indicated that it desires to withdraw from participation in the Formula, while the other carrier (Canadian Pacific Ltd. - CPL) has requested that its quotas to Australasia and British West Indies be retained. The quotas for international carriers were instituted at a time when the Commonwealth cables to the Far East were the principal Pacific facilities. Today however they have largely been superseded by satellite and by the numerous United States owned high-capacity cables to the Far East. The quota for CPL was instituted in recognition of its exchange of traffic with Postal. The benefit of the quota that CPL has received for over 30 years more than recompenses CPL for any contractual rights it might have had. Of

course, CPL would be relieved of any obligations imposed upon it by the Formula.

8. Include all of the RCA gateway traffic to Areas A and B under the Formula. RCA has elected not to receive any quota for traffic originating in the gateways and destinated to Areas A and B. The result has been that messages in this class of traffic routed via RCA have not been counted in RCA's quota, thus significantly increasing RCA's share of unrouted hinterland traffic. The reasons for permitting RCA this exceptional treatment no longer apply, and it should be abolished.

Adoption of ITT's Proposal Is Not In the Public Interest

The adoption of ITT's proposal would cause serious disruptions to the established patterns in the industry, with consequent harm to a number of carriers, and would serve no beneficial interest of the public. The only beneficiaries would be those carriers proposing revision of the Formula. Not one message would be speeded; not one member of the public would be affected; and the existing keen competition would not be enhanced.* In fact, as ITT itself admitted in its Reply dated September 3, 1974, "except as to quality of service, that public is largely unaffected by the formula..." As WUI will demonstrate hereinafter, the Formula does not have any effect on quality of service to the public, contrary to ITT's allegations.

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* WUI cordially invites members of the Commission and its staff to visit WUI's modern computerized message center in New York City in order to dispel any mistaken theory that competitive incentives are stunted by the Formula's quota system.

Although ITT attempts to disguise its own parochial, private interest in amending the Formula (at the expense of other carriers) as an overriding concern for the public good, it is clear that the public would not gain in the slightest from the revision suggested by ITT. It makes little sense to devote substantial resources of the Commission on the analysis of the effect of the proposed revision of the Formula, or to disrupt the present smooth working of the distribution mechanism, when no parties other than the proponents will be benefited.

The surface simplicity of the ITT proposal is deceptive. In actual application, it will be necessary to maintain constant monitoring of transfer traffic volumes of all carriers, including both routed and unrouted. Consequently, it will be necessary to maintain, as at present, the International Formula Committee and its operational arm, the International Quota Bureau, to collect the statistics and translate them into appropriate international instructions to WUTelCo. The only change would be the arithmetical operations performed by the IQB. Consequently, from an administrative point of view little would be gained by adoption of the ITT proposal. Additionally, it makes no attempt to provide for the distribution of traffic to the many points in which no carrier has a direct line. Although these points normally have low traffic volumes, nonetheless, a mechanism would have to be maintained to provide for appropriate distribution of unrouted traffic, in some arbitrary fashion.

The ITT proposal is illogical. It would make the distribution of unrouted traffic entirely dependent on the distribution of routed traffic. However these two classes of traffic are largely different kinds of traffic. By and large, the routed traffic is business oriented traffic, originating mainly from Telex and TWX subscribers which normally are business entities. Unrouted traffic, however, is largely traffic filed with WUTelCo's Central Telephone Bureaus or over the counter, and consists principally of social traffic. Since the characteristics and senders of the two classes of traffic are so disparate, ITT's suggestion of making the distribution of one dependent on the distribution of the other is devoid of any logic and is as arbitrary as any other scheme yet proposed for distribution of unrouted traffic.

ITT has argued that the quality of service to the public is adversely affected by the operation of the Formula. ITT's curious argument is based on the fact that there are some subareas in which the quota of a carrier is measured by the total of unrouted transfer traffic plus prerouted and self-originated traffic. In a few such areas, the carrier would lose an unrouted message for each routed or self-originated message that it obtains. ITT argues that such a carrier has a "disincentive" to provide better service for messages destined for this area.

This argument is specious. In the first place, only a very small percentage of traffic is affected by this feature of the Formula. Attached hereto as Appendix A is a tabulation, based on WUTelCo's study, of all routed and self-originated traffic, by sub-area and by carrier, which could have resulted in the loss of equivalent numbers of unrouted transfer traffic. The total of all such traffic is 226,674 messages, as compared with a total outbound volume of 1,938,828 messages. Thus only 11.7% of the outbound traffic is affected by this feature of the Formula.*

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*The tabulation contained in WUI's Responsive Comments dated September 3, 1974 erroneously included both routed and unrouted traffic to the sub-areas in question. ITT's hypothesis concerning "disincentives" can apply only to routed and self-originated traffic.

Even as to this small percentage, it is absurd to believe that the quality of service provided by any carrier is affected. All major international record carriers now are completely computerized. It is essential in a computer environment that all messages be treated as uniformly as possible. ITT's argument implies that any improvements in computer technology or message-handling techniques would be specifically designed to exclude from their benefits all traffic routed via or originated by the carrier which would result in the reduction of unrouted messages under the Formula. This is patently fallacious. It would be totally impractical for any carrier to so organize its computer processes. Furthermore, there would be no motive for such a carrier to take such steps since by definition it would not gain any traffic. Additionally, such discrimination would be in violation of Section 202 of the Communications Act.

WUI challenges ITT to demonstrate specifically, and in detail, how WUI has in any manner changed or failed to improve its handling of routed traffic to any of the destinations for which ITT claims there is a "disincentive" to better service. WUI also challenges ITT to disclose any instances in which ITT itself, or any other carrier, has provided less than the best possible service to such areas. ITT's theory should be given no credence whatsoever unless and until ITT can demonstrate in specific detail any practical adverse effect on service to the public.

ITT's message distribution proposal has another significant disadvantage. Since the amount of outbound traffic (and by virtue of proportionate traffic agreements, the amount of inbound traffic) is dependent on the volume of routed traffic, the international record carriers will be compelled to devote ever-increasing expenses and effort to the solicitation of routings. By definition the targets of these efforts are the senders of unrouted messages who do not care which carrier handles their traffic. Accordingly, the result will be a waste of funds, which are ultimately derived from the rate payer, without any advantage to the public.

WUTelCo's survey of the transfer traffic does not show any failure of function of the Formula that would justify changing it. To the contrary, the effect on WUI of adopting the ITT proposal would be most harmful. WUI has determined that should this proposal be adopted, it would lose approximately $1,000,000 a year in net retained revenue. Additionally, WUI has made large investments in computers designed to handle the traffic load that it has been receiving both from its own originations and from the quota traffic. If significant amounts of traffic that WUI receives under the quota were to be diverted by fiat to another carrier, WUI would have excess unused computer capacity. Since the level of international cable traffic has been static or declining in recent years, there is no expectation that traffic growth would fill the gap.

Conclusion

Since the Formula functions well in its present form, and adoption of the ITT/TRT proposal would provide no public benefits whatever, the Commission should not expend its scarce resources in pursuing this proceeding any further. However, if the Commission should deem it necessary to simplify the operations of the Formula, it should: (a) revise the voting struction of the International Formula Committee so as to provide a forum for the carriers to negotiate a mutually acceptable set of amendments for the Commission's approval; and (b) adopt the proposals set forth above for substantive changes in the Formula, consistent with the statutory procedural rights of the carriers.

WHEREFORE, the Commission is urged to discontinue this proceeding without further action or alternatively to adopt WUI's proposals.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: Roger P. Newell
Senior Attorney

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August 1, 1975

CERTIFICATE OF SERVICE

I, Mary Chin, do hereby certify that a copy of the foregoing Supplemental Comments has been sent by United States mail, postage prepaid, to the following:

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/s/ Mary Chin

August 1, 1975

Attachment A

Routed and Pickup Traffic to Sub-Areas For Which routed Volume Affects unrouted Volume (Messages - 13 Week Study Period)

	WUT	RCA	ITT/GE	TRI	OTHER	TOTAL
Belgium	2,957	2,759	—	—	—	5,716
France	8,621	9,012	9,337	—	—	26,970
Germany	8,749	8,791	8,869	—	—	26,409
Holland	3,011	3,319	—	—	—	6,330
Italy	10,492	—	10,870	—	—	21,362
Norway	1,417	2,156	—	—	—	3,573
Czechoslovakia	411	486	—	—	—	897
Greece	2,620	3,605	2,884	—	—	9,109
Hungary	—	508	474	—	—	982
Roumania	701	801	637	—	—	2,139
Yugoslavia	1,098	2,144	—	—	—	3,242
Group 3	693	621	—	—	—	1,314
Puerto Rico	6,068	—	7,487	—	—	13,555
Other West Indies	3,840	—	7,039	—	—	10,879
Colombia	—	5,114	8,803	2,200	—	16,117
Ecuador & Venezuela	—	10,679	19,278	—	—	29,957
Hawaii	—	4,022	4,715	—	—	8,737
Midway & Wake Isls.	—	5	—	—	—	5
Samoa: British	—	—	68	—	—	68
Australia & New Zealand	—	13,064	—	—	—	13,064
Cuba	1,702	—	1,144	—	—	2,846
Philippine Islands	—	10,928	12,475	—	—	23,403
TOTAL						226,674

Total outbound message traffic 1,938,828

Sources: WUT study & I&B reports

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
International Record Carriers' Scope of) Docket No 19660
Operations in the Continental United) RM-6[illegible]
States, Including Possible Revisions to)
the Formula Prescribed under Section 222)
of the Communications Act)

SUPPLEMENTAL COMMENTS OF TRT

TRT Telecommunications Corporation (TRT), pursuant to the Commission's Memorandum Opinion and Order, released June 6, 1975, FCC 75-617, hereby submits its supplemental comments relating to the revisions of the Formula prescribed under Section 222 of the Communications Act for the distribution of outbound international message traffic accepted by The Western Union Telegraph Company (Western Union).[*/] In this regard, TRT respectfully states as follows.

In its prior comments submitted herein on July 8, 1974 and in its responsive comments submitted on August 16, 1974, TRT has demonstrated that the present Formula is unjust, unreasonable and inequitable. TRT has also proposed two alternative revisions which would cure the inequities and remove the disincentives to competition contained in the present Formula and would provide an equitable and logical method for the distribution of

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[*/] In response to paragraph 9 of the Commission's June 6, 1975 Memorandum Opinion and Order, Appendix A hereto contains TRT's direct file traffic data for the 13-week period of the Western Union study.

international message traffic filed with Western Union. Although TRT will not repeat its prior arguments here, we submit that its position in this proceeding has been confirmed and supported by the additional data available from the recent Western Union study.

In light of the results of the Western Union traffic study conducted during the period December 1, 1974 through March 1, 1975, TRT herein discusses what it believes are the two remaining points to be covered. Specifically, they are:

1) The exact manner in which the distribution of traffic is presently being made; and
2) The effect any specific amendments would have on the respondent and other international carriers.

For the analysis which follows, TRT used as a base the FCC Report of Telegraph Traffic, a Market Analysis for the Full Year 1974. Referring to the series of tables attached, Table 1 reflects the total amount of messages and revenues handled by the international record carriers (IRC's) in 1974, and Table 2 illustrates the participation percentages by major traffic movement for each IRC. By combining the data in these first two tables with the annualized data provided by the 13-week Western Union study, TRT offers what, we submit, is a most enlightening comparison of message volumes and revenues by message category for the U.S. IRC's (see Table 3). Within each carrier listing, the percentage figure represents the current relative impact of each message category on that carrier. Particularly noteworthy are the extremely large volumes and relatively high percentages of unrouted traffic being given to RCA and WUI as a result of the Formula.

To conclude the analysis of the distribution of unrouted traffic under the Formula, Table 4 provides a comparison between IRC's for the total routed traffic (direct file and routed Western Union transfers), routed Western Union transfers alone, and the amount of unrouted traffic transferred by Western Union to each of the IRC's. While RCA succeeds in obtaining only 30 percent of the routed, RCA is nevertheless awarded almost one half of the unrouted traffic. WUI, although receiving less than 30 percent of the unrouted, is awarded 38.7% of unrouted traffic under the Formula. Further, these figures do not include whatever return traffic RCA and WUI enjoy as a direct result of these extra volumes of unrouted traffic. TRT submits that these figures conclusively demonstrate the illogical, unjust and inequitable manner in which unrouted traffic is awarded largely to RCA and WUI.

In order to address the issue of the effect any specific amendments to the Formula would have on the carriers, TRT suggests that the most meaningful analysis is one which evaluates the impact any amendments would have on the total telegraph facility and associated revenues of each carrier, and not one which considers just the U.S. origin portion. Further, referring again to Table 4, one finds essentially no difference between the relative distribution among the IRC's for all U.S. origin routed (direct file and transfers) and the relative distribution for routed Western Union transfers only. Since TRT has suggested that the proportionment of unrouted should be based upon the percentage amount of routed transferred traffic, independent of the city of origin, and regardless of whether service to a destination is direct or indirect, TRT has employed the set of percentages for routed transferred traffic in evaluating the impact of its suggested amendments to the Formula (see Table 5).

Comparing the percentages of routed transferred traffic with the current percentages of unrouted traffic for each IRC, and calculating the change required to equalize the routed and unrouted percentages of each carrier, one can derive the changes in unrouted message volumes by IRC. Then, applying to this change the average net U.S. revenue for an unrouted message, the potential increase or decrease in revenue for each IRC can be calculated. By comparing these changes to each IRC's total 1974 telegraph revenues, the real impact on telegraph revenues can be determined. Finally, a comparison between these potential revenue changes and each IRC's total 1974 operating revenues reveals that the effect of the suggested change in the distribution method for unrouted telegraph traffic would be negligible.

In the foregoing analysis set forth in Table 5, TRT has assumed essentially no change in the current distribution of transit traffic. It has been TRT's experience that transit traffic is exchanged between the carriers and their correspondents on the basis of the best division of tolls by origin-destination movement, and not according to U.S. origin/terminated volumes. Further, there exist set operating agreements, for example within the Commonwealth system, which define transit routings. These arrangements would continue regardless of the outcome of any Formula revisions.

Secondly, TRT's analysis excludes any speculation concerning the possibility of a redistribution in return traffic and associated revenues as a consequence of any shifts among the IRC's in unrouted traffic volumes. TRT has indicated that RCA and WUI are presently enjoying additional return traffic for the extra unrouted traffic they now receive under the Formula, and one could reasonably assume some loss if RCA's and WUI's U.S. origin volumes were reduced. However, TRT can derive no method for quantifying what might be a reasonable, expected change. In TRT's case to a large extent, and to a lesser degree among the other IRC's, international telegrams are switched via indirect routes, over which there is as a rule no expected return traffic. Consequently, changes in message volumes in these cases would not effect any gains or losses in return traffic. Further, there appear to be set operating arrangements between some IRC's and their correspondents which specify the exchange of certain categories of traffic. To the extent that these agreements exist, no change in return traffic should be expected.

Coupling the analysis provided herein with TRT's earlier comments in this proceeding, TRT believes it has factually and objectively addressed those issues set forth in the Commission's November 26, 1973 Order, as well as those other issues TRT has felt are pertinent to this inquiry. TRT has also offered what it believes is an equitable, fair and just method for unrouted traffic distribution, and one which would serve the public interest. TRT now urges the Commission to act expeditiously in making long-overdue changes to the Formula, changes which will reflect the operating arrangements of today and not those of years long past and long since changed.

Respectfully submitted,

TRT TELECOMMUNICATIONS CORPORATION

J. Robert Moman

J. Robert Moman
1747 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Attachments

August 1, 1975

TABLE 1
U.S. TELEGRAPH STATISTICS
CALENDAR YEAR 1974

	MESSAGES	REVENUE
U.S. ORIGIN	8641878	21486392
U.S. TERMINATED	7451088	20772495
TRANSIT	7276145	8788683
TOTAL	23369111	51047570

SOURCE: FCC REPORT OF TELEGRAH TRAFFIC--FULL YFAR 1974

TABLE 2
U.S. INTERNATIONAL TELEGRAMS
PERCENTAGE PARTICIPATION BY CARRIER

	ITT		RCA		TRT		WUI	
	Messages	Revenue	Messages	Revenue	Messages	Revenue	Messages	Revenue
U.S. Origin	27.0	25.9	36.2	33.8	4.1	3.4	32.7	36.8
U.S. Terminated	26.5	26.2	45.7	47.7	2.4	2.6	25.5	23.5
Transit	47.3	35.9	23.3	28.3	8.3	8.6	21.1	27.3

Source: FCC Report of Telegraph Traffic, Market Analysis--Full Year 1974

TABLE 3

DISTRIBUTION OF U.S. TELEGRAPH TRAFFIC UNDER THE EXISTING FORMULA BY CARRIER BY CATEGORY OF TELEGRAM CALENDAR YEAR 1974

	ITT			RCA			TRT			WUI		
	MSGS	%ITT	REV	MSGS	%RCA	REV	MSGS	%TRT	REV	MSGS	%WUI	REV
U.S.(WUD)origin, routed	277,884	3.6	672,724	257,544	3.1	595,517	43,160	3.8	99,611	263,112	4.2	735,35
U.S.(WUD)origin, unrouted	314,036	4.1	760,244	1,333,352	16.2	3,093,782	39,924	3.5	92,263	1,065,688	17.0	2,980,9
U.S. origin, direct file	1,741,387	22.5	4,132,008	1,537,464	18.7	3,565,839	271,233	23.9	625,436	1,497,094	23.9	4,190,7
U.S. terminated	1,974,538	25.5	5,442,394	3,405,147	41.4	9,908,480	178,826	15.7	540,085	1,900,027	30.3	4,881,5
Transit	3,441,617	44.3	3,155,137	1,695,342	20.6	2,487,197	603,920	53.1	755,827	1,535,267	24.5	2,399,3
TOTAL	7,749,462		14,162,507	8,228,849		19,650,815	1,137,063		2,113,212	6,261,188		15,187,8

SOURCES: (1) FCC Report of Telegraph Traffic -- Full Year 1974
(2) Western Union Telegraph Company Report on Outbound International Destination Statistics (Thirteen Weeks)

TABLE 4

COMPARISON BY CARRIER
FOR ROUTED AND UNROUTED TELEGRAMS
CALENDAR YEAR 1974

	ITT		RCA		TRT		WUI		
	Msgs	%Total	Msgs	%Total	Msgs	%Total	Msgs	%Total	TOTAL
U.S. Origin, Routed and Direct File	2,019,271	34.3	1,795,008	30.5	314,393	5.3	1,760,206	29.9	5,888,878
U.S. (WUD) Origin, Routed	277,884	33.0	257,544	30.6	43,160	5.1	263,112	31.3	841,700
U.S. (WUD) Origin, Unrouted	314,036	11.4	1,333,352	48.4	39,924	1.5	1,065,688	38.7	2,753,000

SOURCES: (1) FCC Report of Telegraph Traffic--Full Year 1974

(2) Western Union Telegraph Co. Report on Outbound International Destination Statistics (Thirteen Weeks)

TABLE 5

EFFECT OF FORMULA REVISION ON CARRIER REVENUES WITH WUD-TRANSFERRED ROUTED AS A BASE

	% Routed	% Unrouted	Change In %	Change in Unrouted Msg Volumes	Average Revenue per Unrouted Message	Change In Revenue	1974 Telegraph Revenue	% Change in Revenue	1974 Carrier Revenue	% Change in Carrier Revenue
ITT	33.0	11.4	21.6	594,648	$2.51	$1,492,566	$14,162,507	10.5	$100,392,790	1.5
RCA	30.6	48.4	-17.8	-490,034	"	-1,229,985	19,650,815	-6.3	128,436,752	-1.0
TRT	5.1	1.5	3.6	99,108	"	248,761	2,113,212	11.8	9,293,178	2.7
WUI	31.3	38.7	-7.4	-203,722	"	-511,342	15,187,838	-3.4	58,874,764	-0.9

Sources: (1) FCC Report of Telegraph Traffic--Full Year 1974

(2) Western Union Telegraph Co.Report on Outbound International Destination Statistics (Thirteen Weeks)

(3) FCC Forms 903 for each Carrier, Year Ending December 31, 1974.

APPENDIX A

SOURCES OF TRT U.S.-ORIGIN TELEGRAPH TRAFFIC
DECEMBER 1, 1974-MARCH 1, 1975

For Week Ending	From WUD Unrouted	From WUD Prerouted	TRT Direct File	TRT Total
December 7, 1974	812	858	4,747	6,417
14	790	971	4,533	6,294
21	896	881	5,342	7,119
28	847	561	5,032	6,440
January 4, 1975	874	557	4,597	6,028
11	773	857	4,449	6,079
18	785	850	4,365	6,000
25	692	919	4,430	6,041
February 1, 1975	686	1,058	4,471	6,215
8	622	797	4,373	5,792
15	581	846	4,774	6,201
22	563	863	4,867	6,293
March 1, 1975	653	772	4,659	6,084
	9,574 (11.8)	10,790 (13.3)	60,639 (74.9)	81,003

CERTIFICATE OF SERVICE

I, Cynthia A. Martell, hereby certify that I have sent the foregoing Supplemental Comments of TRT Telecommunications Corporation this 1st day of August, 1975 to the following by United States mail, postage prepaid:

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Cynthia A. Martell

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of

International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.

Docket No. 19660
RM-690

TO: The Commission

REPLY COMMENTS

RCA Global Communications, Inc. (RCA Globcom) hereby provides these reply comments on the question of whether the existing formula under which distribution of outbound international telegrams is made is unjust, unreasonable, and inequitable or not in the public interest. As the Commission is aware, this is the last round of written comments in a series of submissions on the complex and far-reaching issue of whether the present formula has, by the mere passage of time, ceased to meet the statutory standards which the Commission found it met when it was prescribed.

As explained in detail in our prior submissions on this question, ITT World Communications Inc. (ITT) and TRT Telecommunications Corporation (TRT), the proponents of change in the formula, have advocated revisions the end results of which, if not the purpose thereof, are to apparently increase their respective shares of total revenue without showing how such artificially structured changes would serve the public interest or what considerations of equity justify such arbitrary transfer of revenues from other carriers which have acted in accordance with the formula prescribed by the Commission.

RCA Globcom reasserted the position that Section 222 of the Communications Act requires, as a matter of law, that upon the request of any interested party, there be a full evidentiary hearing before the formula may be altered. Such a hearing is not only required but necessary since any change in the formula such as suggested by ITT would have far-reaching consequences for the international telegram service. As the Commission is aware, the costs of providing telegram service have been rapidly escalating over the past several years. For example, the division of revenues paid to The Western Union Telegraph Company for the domestic handling of international telegrams has recently been increased from 6½ cents per full rate word to 9½ cents. This increase alone will further decrease the profit from a service which already does not earn a reasonable return.

In addition, recent trends have indicated that the international telegram market will deteriorate more rapidly than previously forecast and that industry telegram volumes will be considerably lower in the future. This is illustrated by the fact that in 1974 total industry telegram revenues were $63,396,000. For the first six months of 1975, the industry revenues were only $27,457,000. We project that in 1976, the industry revenues will only be $52,000,000, the lowest total since 1950. Yet, in the face of this decline, it should be noted that there has not been a significant telegram rate increase since 1958.

All of the above factors indicate that the Commission should not take any action which would disrupt the existing structure of the industry until a most thorough hearing has been held. At such a hearing, RCA Globcom would expect that one issue on which evidence would be introduced would be the effect on the total industry of a change in formula in light of the recent developments affecting the telegram service.

At this point, RCA Globcom believes it is appropriate to summarize for the Commission the comments already submitted and to demonstrate that the proposed changes in the formula would not be beneficial to the public interest. Additionally, RCA Globcom will comment on the suggestions for a change in the formula made in the last submission by Western Union International, Inc. (WUI).

Summary of RCA Globcom Position

I. Burden Of Showing Unlawfulness Of Existing Formula Is On The Carriers Proposing Change

Section 222(e)(3) provides:

> Whenever. . .after a full hearing, the Commission finds that any such distribution of telegraph traffic among telegraph carriers. . .which is being made or which is proposed to be made, is or will be unjust, unreasonable, or inequitable or not in the public interest, the Commission shall by order prescribe the distribution of such telegraph traffic. . .which will be just, reasonable, equitable, and in the public interest, and will be, so far as is consistent with the public interest, in accordance with the existing contractual rights of the carriers.

Under this provision, the Commission has a two-fold duty. First, it must establish a reasoned basis for and find that the existing distribution is contrary to the public interest and only then may it undertake to prescribe a new formula. Consequently, the burden is on the proponents of change to present convincing substantive data to show why the formula which was originally found to meet the statutory standard, and stood for twenty years without requests for substantive change, now fails to meet the public interest.

We noted in the first round of comments that the Commission's order of designation, 43 F.C.C. 2d 1174, appeared to give the impression that the Commission had shifted the burden just noted from the advocates of change to RCA Globcom on the grounds that the formula was "anachronistic" or "outmoded". RCA Globcom stated in response that such legal concept must be rejected outright. The age of a Commission order does not give a presumption of invalidity; if anything, the contrary must be the case since the formula has withstood the test of time. To support this proposition, the New England Divisions Case, 62 I.C.C. 513, 563, in which the ICC found that the age of an existing division of revenues agreement between two rail carriers afforded no presumption of unreasonableness of the divisions, was cited. In addition, it was noted that the acceptance of such a presumption would mean that the lapse of time alone would render a decision or statute prima facie unlawful.

II. The Criteria Of Lawfulness Is The Public Interest And Not The Private Interests Of ITT Or TRT

In our original comments, we posed the obvious question of how the public interest would be furthered through a change in the formula. The comments received by ITT never addressed this basic question. Rather than listing the manner in which the public would benefit, the thrust of its arguments was that the formula should be changed so that it would benefit

ITT did not assert that a change in the formula would cause the rates for telegram service to be reduced, cause an improvement in the quality of service or, in any way, show benefits accruing to the public. To the contrary, ITT explicitly recognized that the overall quality of international message telegram service has been good. (ITT Comments, p. 11). With respect to rates, no carrier asserted that a change in the formula would permit a rate reduction for they must recognize that the shrinking volumes of telegram traffic coupled with the increasing costs, e.g. the almost 50 percent increase recently negotiated in divisions to be paid to The Western Union Telegraph Company, foreclose the possibility of such a decrease. Rather, as RCA Globcom demonstrated, the thrust of its proposal was that such changes in the formula would increase the competitive efforts of the carriers and were in the public interest on the apparent assumption that competition is per se beneficial and in the public interest. That there is no such principle has been affirmed again and again by the courts. See for example, FCC v. RCA Communications, Inc., 346 U.S. 86 (1953). Instead, the courts have held that the existence of a regulatory structure under Congressionally devised public interest standards means that a commission cannot equate competition with the public interest unless it could be shown to be beneficial. ITT and TRT have completely failed to meet this burden.

III. The Existing Formula Permits Reasonable Competition

RCA Globcom demonstrated in its prior comments that the existing formula does permit reasonable competition while at the same time imposing a certain restraint on the carriers to discourage competitive efforts which would have deleterious effects. Thus the Commision stated in the Western Union Merger Proceeding that the combining of routed, unrouted, and self-originated traffic in computing how quotas are satisfied

> diminishes the incentive of the international carriers to expend effort and revenues in attempts to divert traffic from each other by solicitation efforts which may not improve quality of service; and it also diminishes the necessity for these carriers to build up additional facilities for the collection of their own traffic, in duplication of existing facilities of the merged company. These savings should contribute to a more efficiently and economically operated international telegraph system. Western Union Merger Proceeding, 10 F.C.C. 184, 191 (1943)

The above statement cannot be attacked on the false basis that it was made over thirty years ago when competition did not have the emphasis that it does today. Such a conclusion would be incorrect. It must be recognized that while competition has had new emphasis in the domestic communications field within the last five years, the international communications market has been characterized by intense competition since its inception. Well before the 1943 merger of Western Union and Postal Telegraph, Inc., at least six international carriers were strenuously competing with one another. Consequently, the Commission had experience with both the benefits and adverse effects of this competition at the time the formula was prescribed and acted to prevent those excesses in the international field which would have detrimental effects on the public.

We also brought to the attention of the Commission that ITT acknowledged that the existing formula provides some incentive to actively solicit traffic. ITT stated that "(a)s a result of continuing competitive spirit, various carriers. . .attempted. . .to improve their relative market shares", (ITT Comments, p. 16); that the alleged problem with overages and deficiencies lies "in traffic shifts resulting from competition between carriers", (ITT Comments, p. 17); and that indeed, the continued growth of competition can, at least in part, be attributed to this very formula which was apparently designed to restrain competiton. (ITT Comments, Appendix 1, Issue 2, p. 7). These statements support the proposition that the existing formula does not dampen the competitive efforts of the carriers to render the best possible service. The fact that there are some restraints, while not satisfactory to ITT in its pursuit of increased corporate revenues, has not and can not be shown to be adverse to the public interest.

IV. A Change In The Formula As Suggested By ITT Would Be Adverse To The Public Interest Because Of The Large Increase In Sales Expense That Would Result

The ITT proposal would basically have the unrouted traffic distributed to the international carriers in proportion to the number of routed messages each carrier receives from Western Union.* This plan would upset the current market structure and compel carriers to expend substantial sums for solicitation with only detrimental effects on the public and the carriers. The plan would result in a transfer of approximately $1,990,595 gross international tolls per year from RCA Globcom to the other carriers. We submit this proposal for private enrichment by manipulating the formula would not be in the public interest.

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*TRT also proposed a plan similar to ITT's suggestion. The ITT and TRT plans differ in that ITT would make the distribution of unrouted to those carriers having direct circuits to a country while TRT would eliminate the "direct circuit" requirement. TRT also suggested as an alternative that all unrouted traffic be divided equally among all the carriers tariffed to serve a given location.

As explained in RCA Globcom's Supplemental Comments filed on August 1, 1975, the increase in sales expense would result from the "multiplier effect" inherent in the ITT proposal. To understand this principle it is first necessary to realize that of the approximately 6.6 million telegrams annually interchanged with Western Union, a little more than 75% are not routed by the sender. Consequently, under that proposal, if a carrier secured a routed message through solicitation, it would automatically receive not only that one message but an additional bonus of three or more unearned unrouted messages as well. When the single routed and three or more unrouted are combined with an equal number of inbound messages*, it can be seen that the revenue benefit from soliciting a single routed message would be generally seven or eight times the revenue from that single routed message.

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*Most overseas administrations return traffic to the United States IRCs more or less in proportion to the traffic they receive from each of the IRCs.

It was also demonstrated that unrestricted competition would inevitably cause each carrier to expand these solicitation efforts until the marginal solicitation cost expended per routed message received from Western Union approached the total revenue that the IRC received not only from that routed message but rather from up to seven or eight additional outbound and inbound messages.*

The overall effect of the ITT proposal would be, therefore, to give the carriers a compelling incentive to increase their sales expenditures in a hope of securing that additional routed message. We estimated that the approximately $1.3 million now spent annually on telegram solicitation would be increased many-fold. Such proposals would not yield any benefits to the public. Rather, the most likely outcome would be telegram rate increases, a diminution of service quality or both brought about by the wasteful escalation of nonproductive sales effort.

We again direct the Commission's attention to the statement made by it over thirty years ago in the original formula proceeding. There the Commission realized that excessive sales expenditures yield no public benefits. It also realized that a formula that restrained such excesses would contribute to a more efficiently and economically operated international telegraph system. We submit that the relative stability of international telegram rates in face of inflation, declining volumes, and increased payouts to Western Union demonstrates that this finding remains as true today as in 1943 when it was made.

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*As previously shown, the IRCs incur relatively little variable operating costs on either routed or unrouted messages originating with Western Union.

V. Equity As Between The Carriers Does Not Require A Change In The Formula

Realizing that it could not carry the burden of demonstrating that the existing formula is adverse to the public interest, ITT fell back on a self-serving argument that it only had to demonstrate that the formula was inequitable as between the various carriers. We do not believe comment is required on the substantive merits of its legal argument. It is sufficient to state that it did not demonstrate that the formula is inequitable or that its recommendation is now equitable.

In fact, the Commission in prescribing the formula found it to be not only just, reasonable and in the public interest but also equitable. Further, no carrier raised any question with respect to the equity of the formula until the formula was over 20 years old. Given this situation, we believe that ITT has a heavy burden of showing the change in conditions which now makes inequitable a formula prescribed by the Commission and indisputably equitable for two-thirds of its existence.

It is obvious that ITT has not carried this burden. It has sought to define equity as encompassing ITT's interest alone. This definition of equity is unacceptable since it disregards not only precedent but also the very meaning of the term itself. Any acceptable definition of equity must include due regard for the interests of all of the carriers receiving traffic under the formula. We submit that the Commission must consider that RCA Globcom has equitable rights to the traffic it has carried under the formula for 30 years and under which it has provided unsurpassed service to the public. A sudden diversion of significant revenues from RCA Globcom to ITT or TRT would be grossly inequitable and would serve no possible public benefit.

ITT, on the other hand, only argues for more and more revenues for itself. Yet ITT has done very well under the existing formula. It received over the last 30 years a greater share of the telegram traffic than was originally envisioned under the formula. In fact, as of December 1973, ITT had overages in excess of $24.6 million. This represents excess benefit received by it under the operation of a formula which it labels "inequitable". We again submit that once having received more tolls than originally envisioned, ITT should not be heard to argue that "equity demands" even more be taken from the other IRCs and handed to it.

VI. Any Change In The Formula Must Recognize The Accumulated Overages and Deficiencies

RCA Globcom previously stated to the Commission that even in the event the formula is changed, the Commission must recognize that the accumulated overages and deficiencies represent a lawful obligation which may not legally or equitably be voided without the consent of all parties.

The concept of overages and deficiencies has its basis in the formula, the basic operation of which was described by the Commission in the designation order. An overage is the amount by which a carrier has exceeded its quota for any category of traffic to a subarea and a deficiency occurs when the routed and unrouted traffic turned over to a carrier is insufficient to satisfy its quota. ITT's accumulated overage as of December 1973 was $24.6 million. RCA Globcom's deficiency as of the same date was $49.8 million.

It should be realized that these overages and deficiencies result from the operation of a formula provision prescribed by the Commission. Section V.(ii) states that if the unrouted messages distributed under the quotas

> fail in any month to give any international carrier its quota of gross international tolls from such category, the distribution of messages shall be modified as soon as is practicable after the ascertainment of such deficiency in such deficiency in such manner as to compensate for such deficiency and to assure to such carrier thereafter its quota of gross international tolls. . .(Emphasis added).

This provision requires that the Commission recognize that RCA Globcom has not been receiving the amount of unrouted traffic required under the formula. It also requires that an integral part of any change in the formula be a provision compensating RCA Globcom for its accumulated deficiency The above cited language gives RCA Globcom a vested right to be compensated for past deficiencies and that right cannot be taken away by changing the formula.

In other words, the Commission, once having determined that the formula which gives rise to these amounts is in the public interest, cannot, in revising the formula, void the accumulated deficit without adequate compensation. In addition to this legal obligation emanating from the language of the formula itself, RCA Globcom submits that it has an equitable claim in recognization that it has in good faith continuing obligations as reflected by the deficiencies would be honored. We conclude that if a change in the formula is to be made, the change must reflect the accumulated deficiency and compensate for it or be the result of a voluntary compromise under which the parties would relinquish their right under the formula in return for other benefits they find compensatory.

The WUI Proposals

In its latest round of comments, WUI suggested three different proposals for changing the formula. First, it recommended that the formula be amended by the Commission to provide that each carrier now operating as a unit be accorded only one vote in the International Formula Committee. This would eliminate the situation where ITT casts four votes in the Committee because of its acquisition of All-America Cables and Radio, Mackay Marine Corp., Commercial Pacific Cable Company and Globe Wireless Incorporated. It would also eliminate one vote of RCA Globcom's. WUI states that if this change were made, any reluctance of the other carriers to submit disputes to the Committee would disappear and it would function more efficiently. We agree and do not oppose this suggestion for change in the formula.

Second, WUI recommends that all unrouted traffic be distributed to the international carriers in the same proportion as the distribution of unrouted traffic that was made during the period of the Western Union statistical study of outbound international traffic (December 1974-February 1975). Routed and self-originated traffic would not be considered in determining the distribution of unrouted traffic.

RCA Globcom believes that this recommendation would merit serious consideration. This WUI proposal would eliminate that feature of the formula most objected to by ITT in that the securing of additional routed traffic would no longer mean that in certain situations the carrier would automatically lose unrouted traffic. The WUI proposal would not suffer from the unprecedented infirmity of the ITT proposal which would hand the carrier securing a routed message not only that routed message but also an unearned bonus of six or seven unrouted and inbound messages as well (the "multiplier effect"). Accordingly, under the WUI proposal a carrier would neither be penalized nor unduly rewarded by its solicitation efforts and while solicitation expenses would undoubtedly increase, they would be held at a far lower level than under the ITT proposal. Moreover, any revenue effect on the carriers of the WUI proposal would be gradual. Each carrier could attempt through increased solicitation efforts to dry up the pool of unrouted traffic but it would not receive a big bonus if it converted an unrouted message into a routed one. Thus, the feature that each carrier maintain its relative share of the unrouted pool as of a specific period would result in a gradual decline in the size of the unrouted pool but not produce a drastic change such as proposed by ITT which would shift very large amounts of revenue from any one carrier to another in one sweeping action.

In recognition of the different views presented and in order to facilitate a compromise solution, RCA Globcom, without prejudice to its legal right to a full evidentiary hearing under Section 222(e)(3) and its legal and equitable right to have future compensation for the accumulated deficiencies in the event this compromise is not effectuated, would support the second WUI proposal.

The third WUI proposal, however, does not provide a satisfactory basis for a change in the formula. This proposal has the following parts which according to WUI are inseparable:

- Replace the separate gateway and hinterland quotas by one composite nationwide quota.
- Change the basis of the quota from gross international tolls to the number of messages.
- Eliminate specialized treatment given to certain classes of service, such as governmental and press traffic, and treat all messages the same regardless of class.
- Eliminate the Area A, B, and C and all subarea classifications, and treat each destination country as a separate area.
- Eliminate WUI's exclusive right to all traffic filed with Western Union offices in Manhattan sourth of 60th Street and at designated Western Union offices in Washington, D.C. and San Francisco; WUI would have the same right to collect traffic in those cities as the other IRCs located in those cities.
- Eliminate the quotas for both Canadian carriers.
- Eliminate Schedule B.
- Include all of the RCA Globcom gateway traffic to Areas A and B under the formula.

The first four parts of WUI's third proposal would appear to affect all carriers equally and therefore would not be objectionable. RCA Globcom would also not object if WUI decided that it would give up its right to traffic filed with certain Western Union offices in the gateway cities under the indicated condition. The changes it suggests, however, with respect to Schedule B is in an entirely different category. It is an unilateral attempt by one carrier to deprive another carrier of its legal, contractual and formula rights without any substantive factual support or any legal foundation.

Schedule B was originally devised to recognize the contractual rights which RCA Globcom had under arrangements with Western Union and further to compensate it for the relatively unfair position in which it had been placed by the dominant Western Union position that existed at the time the formula was prescribed.* As described in the Merger Case, RCA Globcom "was limited by competitive and contractual restrictions in obtaining unrouted out-bound trans-Atlantic and Latin-American messages in 1942. . ." Ibid. at 190 (Emphasis added). Schedule B was the means by which the Commission fixed relative rights and prevented the continuation of a preexisting unfair division. By approving Schedule B, the Commission was motivated not only by equitable considerations because Section 222 specifically provides that the formula "will be, so far as is consistent with the public interest, in accordance with the existing contractual rights of the carriers." (Emphasis added). Accordingly, we submit that if any action is taken to revise the formula, the Commission is required to recognize the contractual rights of RCA Globcom to Schedule B traffic. The change as suggested by WUI would in effect abrogate those contractual rights without any showing that they are inconsistent with the public interest.

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*Prior to the merger, Western Union channeled nearly all of its Atlantic traffic to its cable department, and Postal, the only other domestic carrier, channeled its overseas traffic to its affiliates, leaving RCA Globcom virtually without access to the hinterland market.

With respect to the WUI proposal to "include all of the RCA gateway traffic to Areas A and B under the Formula," after discussions with WUI, it is our understanding that it intended that RCA Globcom would receive quotas to reflect the base period traffic to such Areas originating in the gateways as well as the hinterland. Unfortunately, there is a paucity of data on the traffic actually handled by RCA Globcom to those areas for that period. Further, even if it were available, it would require a substantial analysis to determine the effect such a change would have. Therefore, at this point RCA Globcom opposes this WUI proposal until such time as it has been able to locate the necessary information and had a full opportunity to evaluate it.

Conclusion

RCA Globcom submits that the proponents of change have not carried the heavy burden of proving that the existing formula is unjust, unreasonable, inequitable, and not in the public interest. Their proposals suffer from various defects, which have been detailed in this and prior comments, and would act contrary to the public interest. Therefore, we believe that the Commission must again hold that the existing formula continues to meet the statutory criteria.

It is obvious that this proceeding will have a far-reaching effect on the public insofar as concerns rates for telegram service and the ability of all carriers to provide a quality service in the future. In view of this, RCA Globcom, subject to its offer of compromise set forth above, again asserts its rights to a full and evidentiary hearing on the formula question. Without this hearing, RCA Globcom and, more importantly, the public will be denied the due process protection given by the statutory requirements of Section 222.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

s/ Francis J. DeRosa

s/ Carl J. Cangelosi

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August 28, 1975

CERTIFICATE OF SERVICE

I, Mary S. Ruedi, hereby certify that on this 28th day of August, 1975, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

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s/ Mary S. Ruedi

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States Including Possible Revisions to the Formula prescribed under Section 222 of the Communications Act	) Docket No. 19660 Rm. - 690

REPLY COMMENTS OF ITT WORLD COMMUNICATIONS INC.

ITT World Communications Inc. (ITT Worldcom) hereby submits its Reply Comments in the above captioned inquiry into revisions of the International Formula. Through the ten-plus year history of this proceeding ITT Worldcom has conclusively demonstrated that substantial revisions to that Formula are necessary. ITT Worldcom has proposed a revised Formula to distribute unrouted in proportion to routed traffic; as will be seen hereafter it also regards the all-routed suggestion made by The Western Union Telegraph Co. (Western Union) and by the Office of Telecommunications as an acceptable alternative revision to the existing Formula.

With the completion of this fifth round of formal pleadings, and the completion of a lengthy and detailed traffic study by Western Union, this matter is clearly ripe for Commission decision.1/

1/ Any "hearing" requirement either from the Communications Act or the Administration Procedure Act will have clearly been satisfied at this point. No material issues of fact are in dispute so that an "oral, evidentiary hearing" is clearly not required or needed.

ITT Worldcom has shown -- throughout the numerous pleadings which have been required in this proceeding -- the clear necessity for substantial revision to the existing Formula; those carriers urging the maintenance of status quo have completely failed to rationalize their position with the statutory requirement that the Formula be "just, reasonable, equitable and in the public interest".[2/] The Commission should therefore now act to replace the anachronistic Formula existing today with a Formula which satisfies the statutory mandate at the earliest possible moment.

ITT Worldcom has proposed a revised Formula which would distribute unrouted traffic to a carrier in proportion to the routed traffic transferred to that carrier, by Western Union, for transmission via such carrier's direct circuits to overseas points. Such a Formula would clearly provide a reasonable distribution of unrouted traffic; would foster the Commission's policy favoring competition among international record carriers; and, by eliminating many of the complexities of the existing Formula, would simplify the administration of the Formula. Recognizing, however, the several expressions by Western Union of concern with the administrative burden to it of any Formula, ITT Worldcom would be agreeable to a further simplification in the Formula administration. Rather than maintaining separate Formula distributions

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[2/] The so called, "compromises" proposed at the eleventh hour by Western Union International, Inc. are both insubstantial and wholly inadequate.

by destination country, as proposed, the Formula could be established to provide a single worldwide distribution of unrouted traffic in proportion to each participating carrier's share of routed Western Union transfers (i.e., the data base would be all U.S. origin Western Union transfers to all overseas destinations with no further delineation of traffic -- except as between routed and unrouted, and international carrier by which routed).

Another acceptable alternative has previously been urged by Western Union, and recently endorsed in the draft report prepared by the Office of Telecommunications of the U.S. Department of Commerce,[3/] i.e., elimination of a Formula, as such, and instead requiring that all telegraph message traffic filed with Western Union be specifically routed by the sender. While noting the concerns expressed in the Supplemental Comments of RCA Global Communications, Inc. (respecting the all-routed proposal in the Office of Telecommunications Report) that a customers routing may be improperly influenced by the name similarity between Western Union and Western Union International, as well as ITT Worldcom's earlier expressed comments of a similar nature, ITT Worldcom has come to the view that this problem can be somewhat alleviated through the institution of appropriate administrative procedures on the part of Western Union, and its employees and agents.

[3/] While this Report has apparently not been formally filed with the Commission as part of this Docket, it has received wide circulation, including, at least, the carriers having an interest in the Formula and the Commission's Staff.

The all-routed proposal has the virtue, as noted in the Office of Telecommunications report, of providing a "true competitive solution." It would place all carriers on an equal competitive footing and thereby further the Commission's policy goal of stimulating competition among communications carriers. It is also most consistent with Western Union's concern for administrative simplification of its Formula responsibilities.

ITT Worldcom does, however, disagree with the suggestion in the Office of Telecommunications report that implementation of its all-routed proposal should require a three-year phase-in period. The only significant effort required for implementation of an all-routed approach is the development of Western Union message acceptance procedures which will assure fairness of customer selection for all IRCs. This effort should easily be accomplishable within six months after Commission determination to adopt an all-routed approach, including time for Commission approval of such acceptance procedures.

In conclusion, ITT Worldcom submits that the extensive record in this proceeding demonstrates beyond argument that the existing International Formula is contrary to the public interest and is unlawful. ITT Worldcom has proposed a revised Formula which relates unrouted traffic to the routed traffic received by a carrier. An alternative and equally acceptable Formula revision has been proposed by the Office of Telecommunications, and supported by Western Union, to require all outbound traffic to be routed by the sender. Either of these proposals is consistent with the Formula requirements of Section 222 of the Communications Act, and, as well, with the general policies of the Commission.

The record is now complete and the issue is ripe for decision. Any further delay would be unconscionable. "Let right be done."

Respectfully submitted,

ITT World Communications Inc.

By

Howard A. White

John A. Ligon

Its Attorneys
67 Broad Street
New York, N.Y. 10004

Of Counsel

John F. Gibbons, Esq.

Dated: August 28, 1975

CERTIFICATE OF SERVICE

I, Carol Santoro, hereby certify that on this 28th day of August, 1975, I mailed a copy of the foregoing "Reply Comments" by United States Mail, postage prepaid, to the following persons:

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter Of

International Record Carriers' Scope of Operations in the Continental United States including possible revisions to the Formula prescribed under Section 222 of the Communications Act.) Docket No. 19660 RM-690

To: The Commission

REPLY COMMENTS

Western Union International, Inc. (WUI) hereby submits its Reply Comments in compliance with the Commission's Order of August 19, 1975, extending the time for reply comments.

Summary

The principal proponents of change in the International Formula, ITT World Communications, Inc. (ITT) and TRT Telecommunications Corporation (TRT), have now had an opportunity to fully substantiate their contentions that the Formula needs revision. It is remarkable, therefore, that in their respective Supplemental Comments filed August 1, 1975, neither TRT nor ITT has found anything significant to add to its previous insufficient case. When the ITT comments are analyzed, it can be seen that ITT has made but a single substantive point. That is, the various carriers do not receive the same percentage of unrouted transfer traffic as they do routed transfer traffic. From this well-known undisputed fact, ITT leaps to the conclusion that the Formula is "unjust, unreasonable, inequitable and not in the public interest". ITT's reasoning is circular and unpersuasive. Because routed and unrouted ratios are disparate the Formula should be changed to make them identical, according to ITT.

The TRT comments are similarly devoid of any rational connection between its proposal and either logic or the public interest. TRT's petition does little more than point to the differences between routed and unrouted transfer traffic, without demonstration of any logical connection. TRT adds calculations purporting to demonstrate TRT's belief that the impact of either the TRT or the ITT proposal upon the international carriers will be slight. WUI disputes the accuracy of TRT's calculation of the impact on WUI. However, assuming arguendo its validity, TRT's argument is two-edged. If the impact of a Formula change on the international carriers is in fact slight, there really is no justification for the Commission's devotion of substantial resources to the investigation of the change in the Formula, since the public is not affected at all.

To the extent that the Formula needs any amendment at all, the process can be accomplished far more efficiently by using the existing mechanism for resolving Formula disputes.

This is the reasoning underlying WUI's Proposal No. 1 in its August 1, 1975 Supplemental Comments. WUI believes that if the voting provisions of the International Formula Committee (IFC) were to be modified to make it a representative body, and the Commission's Staff were to take an active and constructive role in the IFC deliberations, the carriers would in a relatively short time agree upon a Formula modification that would meet the essential requirements of all parties. The Commission would then be able to impose reporting requirements and deadlines.

Similar procedures have proved effective in other situations where a number of carriers with seemingly irreconcilable views reached a consensus through negotiations under Commission guidance. For example, the members of the Marisat consortium managed to obtain substantial agreement on almost all of the aspects of a $100 million dollar system to accomplish an unprecedented task. Similarly, negotiations under the Commission's insistence have resolved complex issues by participants with widely divergent view points in areas such as the rates and conditions of circuits offered by the Bell System to other common carriers.

Consequently WUI urges that the Commission adopt WUI's Proposal No. 1, contained in its Supplemental Comments, and amend the Formula to provide for one vote for each carrier. The carriers should thereupon be required to meet for serious negotiations to adopt any appropriate amendments to the Formula for approval by the Commission. Such a procedure would be in full accordance with Section XI of the Formula which requires that disputes among interested carriers be submitted to the IFC for resolution. WUI's alternative Propcsals No. 2 and No. 3 (in our Supplemental Comments) could form the basis for IFC negotiations because neither proposal serves partisan interests of any single carrier.

ITT's Proposal Is Deficient

In its Supplemental Comments, ITT failed to address the practical problems and inconsistencies inherent in its proposal. WUI has already demonstrated in its Supplemental Comments the illogic of tying the distribution of unrouted traffic, which is mostly social, to routed traffic which is mostly business. Nor has ITT provided any details of how it proposes to distribute traffic destined to the many points to which no carrier has an "authorized direct circuit".

Since ITT's proposal would limit the benefits of the Formula to those carriers with "direct circuits" to particular overseas destinations, it is necessary to examine this concept. ITT does not provide a definitiion of a "direct circuit". Upon examination, this concept appears to be vague and there are many possible definitions. For example, a destination to which there is an "authorized direct circuit" could be defined as:

(1) A destination country to which there is a physical circuit directly from the continental United States that does not pass through an intermediate country;

(2) A destination country to which there is a circuit that might pass through an intermediate country, but with a continuous electrical connection;

(3) A destination country served by a circuit which passes through an intermediate country with an automatic switch;

(4) A destination country to which traffic is forwarded manually or semiautomatically from an intermediate country;

(5) A destination country with whom the U.S. carrier has a 50-50 division of tolls, regardless of circuit configuration;

(6) A destination administration with whom the U. S. carrier settles accounts directly, regardless of the ratio of the division of tolls and of the circuit configuration;

(7) A destination administration with whom

there is direct settlement of accounts by the U. S. carriers but the traffic transits an intermediate country which is compensated on a per-word or message basis; or

(8) A destination administration in the same circumstances as (7), except the intermediate country is compensated on a flat monthly basis.

The above examples are more than hypothetical. Other real complexities exist, such as message traffic to the U. S. Virgin Islands, where WUI operates through an affiliate and receives U. S. Mainland traffic retransmitted from Puerto Rico. Query: does WUI have "authorized direct circuits" to the Virgin Islands within ITT's concept of a revised Formula?

WUI does not argue that any one of the above examples should control ITT's definition of "authorized direct circuits." However, the existence of the numerous possible definitions will inevitably lead to disputes in the administration of the Formula under ITT's proposal.

In seeking to make the distribution of unrouted traffic dependent upon the pattern of routed traffic transferred by The Western Union Telegraph Company (WUTelCo), ITT inconsistently ignores the significant amount of traffic generated by WUTelCo Telex and TWX subscribers and filed with the international carriers through direct access connections. A WUTelCo Telex subscriber who desires to route a message via WUI could either dial 6481 to reach WUI's computer directly, or 6161 to send a routed message to WUI's computer via WUTelCo's computer facilities. ITT would apparently regard the 6161-dialed message as routed via WUI, but not so for the 6481-dialed message. Obviously a subscriber dialing either number is manifesting his intention to route specifically via WUI. This inconsistency in ITT's proposal is another indication that it is ill-conceived and unworkable.

The avowed rationale of ITT's proposal is that the share of routed traffic that a carrier obtains is solely dependent on the quality of service. ITT argues that a carrier with a higher proportion of routed traffic has a better service and should be rewarded by a greater share of unrouted traffic. This argument rests upon a fallacious premise. Since the quality of service for outbound traffic is the same for all destinations due to the uniform treatment required by the carriers' message switching computers, the proportion of routed traffic should be roughly the same regardless of the country of destination. Such is not the case, however.

Attachment A hereto shows the distribution of routed transfer traffic to various destinations. Each carrier has a wide spread between the lowest and the highest share of routed traffic to particular countries. For example, RCA ranges from 2.5% for Cuba to 45.5% for Iran. WUI's ranges from 21.1% to 63.5%. It is inconceivable that such disparities could be explained solely by a difference in service quality to these various countries of destination. It is more reasonable to assume that a carrier's share of the routed market to any country is also affected by the amount of solicitation directed to customers with significant traffic to that country, and on an historical association of a particular carrier with that country.

For example, TRT has a low market share to all countries except Central and South America, the Caribbean area, and Germany, where its share is significantly higher. TRT has of course a long history of service to the Latin American countries, and has concentrated considerable effort to developing traffic to its recently acquired European direct service points, such as Germany. Likewise, RCA has an historical association with the Pacific area, and consequently has a generally large share of routed traffic to that area. It is apparent that market share is dependent on many factors in addition to service quality, and ITT's avowed rationale is clearly invalid.

TRT Position Is Unsound

TRT's Supplemental Comments add little or nothing new to this case. TRT also fails to draw any logical connection between routed business traffic and unrouted social traffic. Like ITT, TRT relies solely on the fact that the distribution ratios of routed and unrouted traffic are not the same -- a well-known phenomenon due largely to historical and marketing factors. TRT's evaluation of the impact of its suggested amendment to the Formula is not valid, since it includes the revenues of the carriers from telex and leased channel traffic. Obviously, this overall revenue cannot be used to measure the effect upon the U.S. carriers of artificially-induced shifts in telegraph message traffic.

Furthermore, the calculation in TRT's Table 5 indicating an annual loss of $511,342 for WUI grossly understates the results. TRT ignores the fact that a large part of the traffic that WUI would lose under TRT's Formula revision is destined to the United Kingdom, for which WUI handles both terminals and retains more than the average revenue per unrouted message utilized by TRT in its calculations. Nor does TRT give any recognition to the loss of reciprocal inbound traffic derived from proportionate return agreements with overseas correspondents. WUI estimates that its actual revenue loss would be approximately twice that of the erroneous TRT estimate.

RCA Addresses Irrelevant Issues

RCA Global Communications, Inc. (RCA) devotes a substantial portion of its Supplemental Comments to a discussion of a draft report prepared by the Office of Telecommunications of the U. S. Department of Commerce. This report contains a recommendation that customers be compelled to specifically route all of their overseas messages via a particular carrier. Obviously, it would be impractical to force the senders to specify a carrier routing. Would the sender be denied service if he declined to choose a specific international carrier when filing an international message through WUTelCo's central telephone bureau? Since the Commerce Department draft report has not been formally adopted, nor officially placed before the Commission as an alternative in this case, WUI does not believe that it is relevant herein. If the Commission is disposed to consider this draft report, it should so advise the carriers and give them an opportunity to comment.

WUI regrets that RCA has chosen the Commerce draft report as an excuse to launch an irrelevant and ill-founded attack upon WUI's corporate name by alleging public confusion from the similarity of names between WUI and the domestic telegraph company. This anachronistic issue was vigorously debated 15 years ago in the Docket No. 6517 Divestment Case, and was resolved in favor of WUI's use of its corporate name. Western Union Divestment, 30 F.C.C. 323, 3434; affirmed upon reconsideration, 30 F.C.C. 951, 967-8.

The unfair advantages accruing to RCA from its giant conglomerate corporate family of the same name and identical logo are overwhelming. Notwithstanding, that the Commission is just now considering additional gateway cities, RCA maintains an unfair pervasive hinterland presence and identity through the RCA Service Company which, among other things, maintains and supplies teleprinters to hinterland customers who can use this equipment to send international messages. Attachment B hereto depicts RCA teleprinters available to the public in the hinterland.

RCA's irrelevant attack upon WUI in pages 13 through 18 of its Supplemental Comments should be disregarded. RCA relies upon an alleged market survey whose alleged summary results are quoted by RCA, without disclosure of the necessary parameters required to evaluate the adequacy and objectivity of the alleged survey. It is well known that the results of a questionnaire are influenced by the manner in which the sample is selected and the questions posed, and by the methodology used in tabulating and analyzing the answers.

Conclusion

In its Supplemental Comments of August 1, WUI has presented proposals for streamlining the Formula, and energizing the International Formula Committee, without the disruptions entailed by the ITT/TRT proposals. If the Commission does believe that the passage of time since the Formula was adopted requires some modification thereto, any of the three proposals set out by WUI would provide a far more beneficial result than the simplistic, but drastic, ITT/TRT proposals. However, WUI reiterates that the issue of Formula revision is a tempest in a teapot which is unworthy of the time and effort of the Commission and the industry already consumed. This is not a burning public interest issue. Accordingly, the Commission would be well-advised to terminate this Formula proceeding.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: Roger P. Newell
Senior Attorney

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Dated: August 28, 1975

Attachment A

Page 1 of 2

Distribution of Routed Transfer Traffic

Destination	Total Routed	ITT		RCA		WUI		TRT	
		MSGS	%	MSGS	%	MSGS	%	MSGS	%
France	5425	1727	31.8	1365	25.1	2124	39.1	64	1.2
Germany	6533	1866	28.6	1730	26.5	2233	34.2	691	10.6
Great Britain	13513	4507	33.4	3125	23.1	5522	40.9	306	2.3
Italy	6275	1918	30.6	1589	25.3	2632	41.9	101	1.6
Switzerland	2479	739	29.8	724	29.2	991	40.0	22	.9
Arabia	2650	1014	38.3	876	33.1	723	27.3	34	1.3
Argentina	3375	1124	33.3	667	19.8	1382	40.9	199	5.9
Bahamas	895	230	25.7	158	17.7	258	26.8	247	27.5
Colombia	4145	1779	42.9	800	19.3	874	21.1	691	16.7
Cuba	2410	807	33.5	61	2.5	1530	63.5	12	.5
Ecuador	3355	1583	47.2	657	19.6	860	25.6	254	7.6
Jamaica	2518	616	24.4	536	21.3	920	36.5	446	17.7
Puerto Rico	6906	2856	41.3	1488	21.5	2045	29.6	520	7.5
Venezuela	4643	1955	42.1	1055	22.7	1103	23.7	530	11.4

Source: WUTelCo 13-week study.

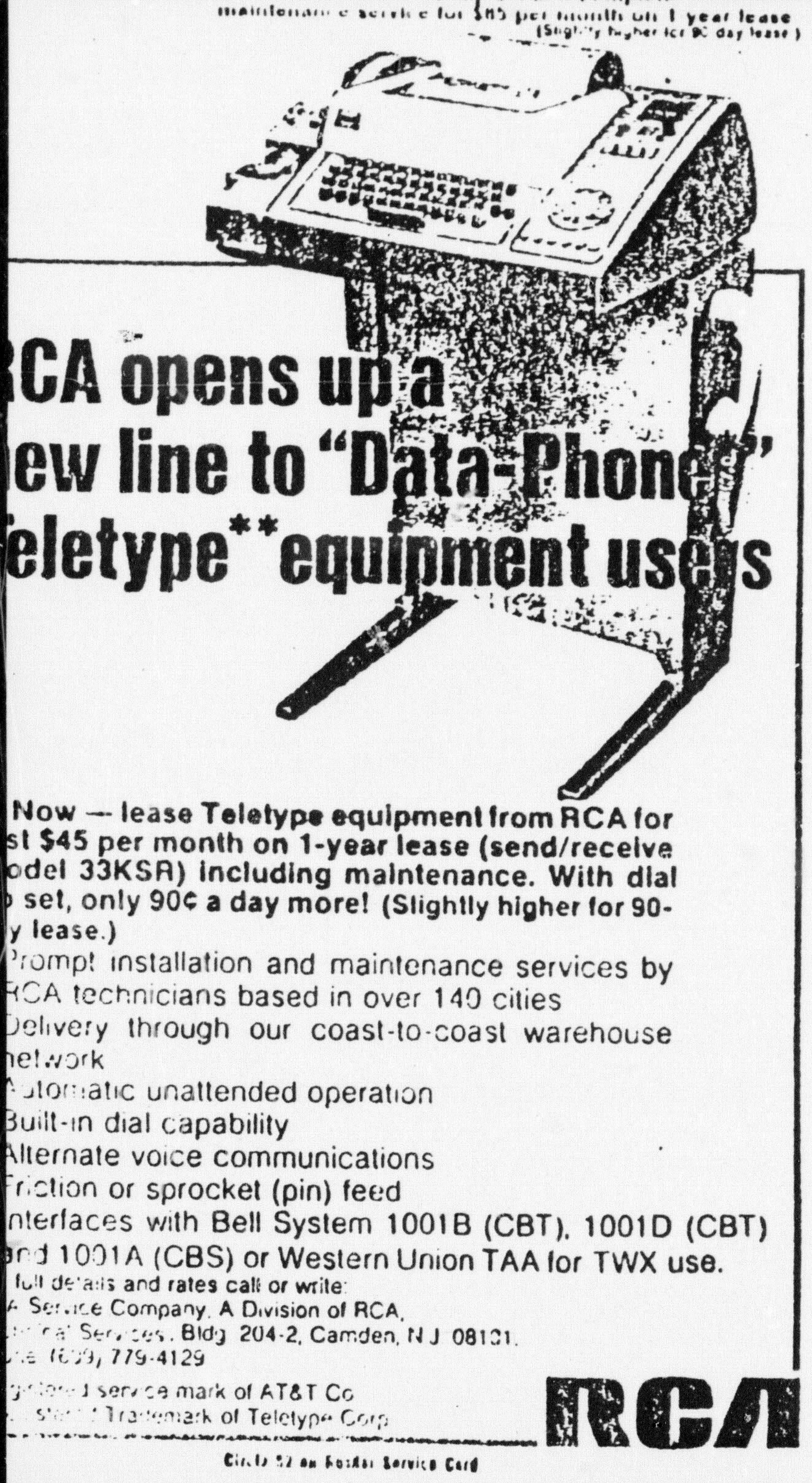
Attachment B

Page 2 of 2

Analysis of routed traffic based on WUI Study

Destination	Total Routed	ITT MSGS	ITT %	RCA MSGS	RCA %	WUI MSGS	WUI %	TRT MSGS	TRT %
Australia	6333	1994	31.5	2068	33.0	2164	34.2	72	1.1
Hong Kong	4250	1245	29.3	1774	41.7	1196	28.1	29	.7
India	5308	1476	27.8	1974	37.2	1761	33.2	90	1.7
Iran	3880	1022	26.3	1764	45.5	1003	25.8	89	2.3
Japan	9592	2948	30.7	4367	45.5	2193	22.9	78	.9
Singapore	2141	577	26.9	948	44.2	590	27.5	27	1.3
Thailand	2585	682	26.4	1012	39.1	816	31.6	71	2.7

Note: Percentages may not total to 100% due to omission of "other" category.



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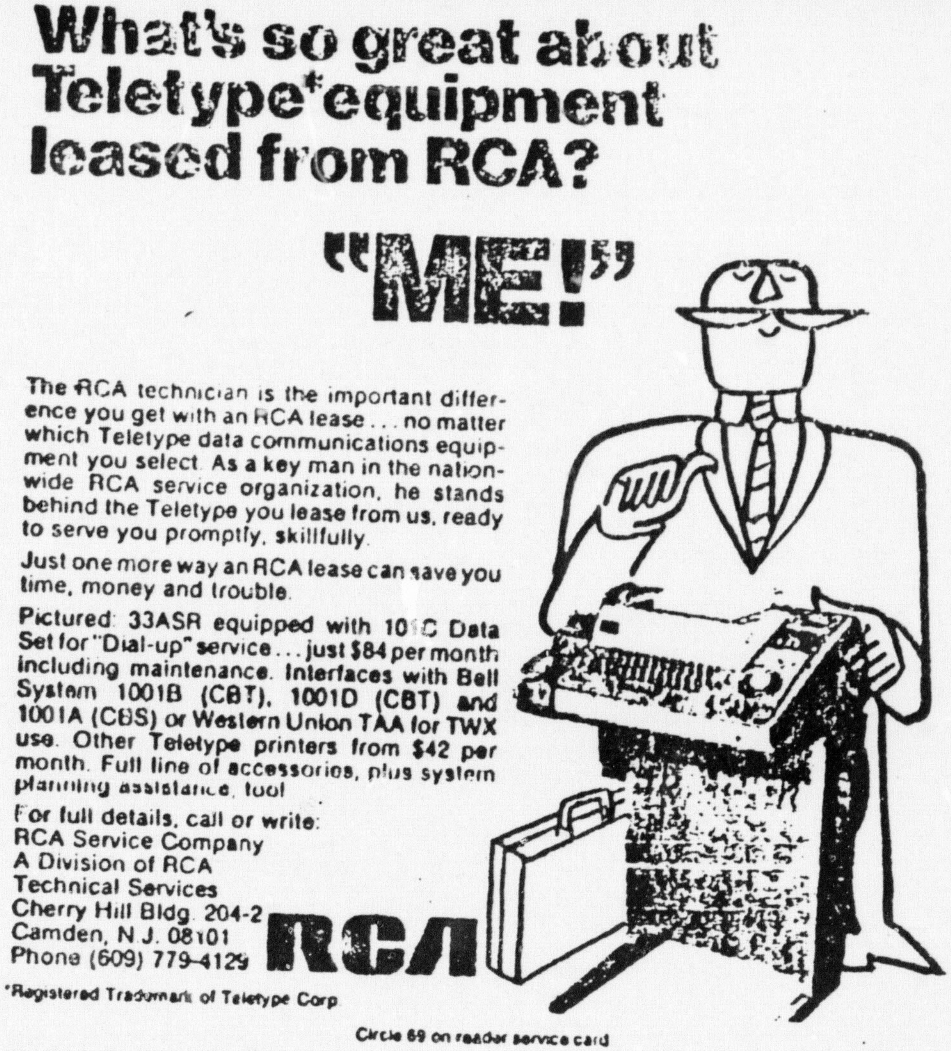
ne (609) 779-4129

gistered service mark of AT&T Co
istered Trademark of Teletype Corp

Circle 52 on Reader Service Card



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A Division of RCA
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Cherry Hill Bldg. 204-2
Camden, N.J. 08101
Phone (609) 779-4129

*Registered Trademark of Teletype Corp.

Circle 69 on reader service card

Attachment B

Source: Communications News

CERTIFICATE OF SERVICE

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Dated: August 28, 1975

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula prescribed under Section 222 of the Communications Act	Docket No. 19660 RM-690

TRT'S REPLY TO SUPPLEMENTAL COMMENTS

TRT Telecommunications Corporation (TRT) hereby submits its Reply to the Supplemental Comments filed herein by ITT World Communications Inc. (ITT), RCA Global Communications, Inc. (RCA) and Western Union International, Inc. (WUI) relating to the revision of the Formula prescribed under Section 222 of the Communications Act for the distribution of outbound international traffic. In support hereof, TRT respectfully states as follows.

I. The Present Formula Is Clearly Unjust, Unreasonable, Inequitable And Contrary To The Public Interest

In this lengthy proceeding, numerous pleadings have been submitted by the interested carriers. All facts relating to the present operation of the Formula and its historical development are now before the Commission. TRT submits that it is clear from the record before the Commisssion that the revision of the present antiquated Formula, prescribed over thirty years ago, is long overdue. The record shows, as outlined on pages 10-16 of TRT's Comments submitted on July 8, 1974, that the present Formula is inequitable, illogical, cumbersome and is detrimental to the public interest in that the Formula acts as a disincentive to competition and better service, it arbitrarily assigns and denies quotas, it operates in an illogical manner which is inconsistent with its objectives and it unfairly accords the great majority of unrouted traffic to two carriers, RCA and WUI, on a completely arbitrary basis.

In spite of the overwhelming and largely undisputed record before the Commission showing the inequities and other defects of the Formula, the two principal beneficiaries of the present Formula, RCA and WUI, continue to argue in their latest pleadings that there is no need for revision of the Formula. Thus, RCA and WUI argue that the present Formula should not be revised because it has operated satisfactorily for the last thirty some years. By operating satisfactorily, RCA and WUI mean that the Formula has functioned to the extent that all unrouted traffic is distributed to one or more of the IRC's and that the industry during this period has continued to grow, prosper and generally serve the public.

However, any Formula, no matter how inequitable and contrary to the public interest, would operate satisfactorily under the criteria of RCA and WUI. For example, a Formula which arbitrarily assigned all unrouted traffic to one of the IRC's would also "operate satisfactorily" to the extent that unrouted traffic filed by the public with The Western Union Telegraph Company (Western Union) would be transferred to an IRC for overseas transmission. Even under this patently arbitrary and inequitable distribution the industry would continue to function and serve the public. No matter how arbitrarily and inequitably this traffic is distributed, we have no doubt that the industry would continue to function and serve the public to some extent. However, the question is not whether the industry and the public it serves could survive a continuation of the present inequitable Formula. The question before the Commission is whether the present Formula is "just, reasonable and equitable" and whether the public would be better served by a revised Formula.

RCA and WUI also have argued that any change in the present Formula would result in excess plant capacity for the carriers now favored under the Formula and require carriers receiving increased traffic under the revised Formula to acquire additional plant capacity. However, in this regard, it should be noted that unrouted telegraph traffic originating on Western Union's system only represents approximately 12% of total telegraph traffic handled by the IRC's. It is apparent that any change in the distribution of unrouted traffic which may be directed in this proceeding would not result in significant excess capacity in the plants of the carriers now favored under the present inequitable Formula. It is also apparent that any additional traffic which may be accorded the presently disadvantaged carriers under an equitable Formula to be prescribed by the Commission could be handled by them with little additional plant investment.

II. RCA And WUI Have Not Presented Any Basis To Justify An Evidentiary Hearing

The present antiquated Formula has been in effect for over thirty years. ITT's "Complaint" for revision of the Formula has been pending for over ten years. Since ITT's "Complaint" was designated for separate investigation in Docket No. 19660 almost two years ago, numerous pleadings have been filed by all interested carriers. In addition, all relevant statistical data has been submitted to the Commission by the International Quota Bureau or by Western Union. Although the interested carriers have expressed differing views as to the conclusions which should be drawn from the data and information which has been submitted in this proceeding, there is essentially no dispute as to any of the material facts relevant to this investigation.

Neither RCA nor WUI have indicated any additional facts which they hope to present through any evidentiary hearing which have not already been presented in their pleadings. Certainly, RCA's proposal to bring a parade of "experts" before an Administrative Law Judge to "testify" to their opinion as to how the Commission should decide this case is an obvious delaying tactic which should be summarily rejected by the Commission.

III. Proposed Revisions Of The Other Carriers

A. Western Union

Western Union has suggested that the sender be required to specifically route all international traffic via one of the IRC's. This suggestion is supported in a draft report prepared by the Policy Support Division of the Office of Telecommunications U.S. Department of Commerce. The other IRC's in their "Supplementa

Comments", we believe, have adequately shown that this suggestion is impractical. We will merely add to the comments of the other IRC's by pointing out that Western Union's proposal also would not even achieve Western Union's goal of reducing its involvement in the routing of traffic among the IRC's. It seems quite apparent that if customers were required to route all traffic substantial Western Union operator time would be required to explain the available routing options to customers, increasing Western Union's landline haul costs. Moreover, it is inevitable that Western Union would be continually involved in disputes with the IRC's relating to whether its operators have fairly and adequately explained routing options to customers.

Western Union has also suggested as an alternative that all unrouted traffic be transferred to the IQB or some other agency of the IRC's. This suggestion, although relieving Western Union of an apparently unwanted function, would clearly delay the transmisssion of unrouted traffic and should be rejected out of hand as contrary to the public interest.

B. WUI's Proposal

WUI, perhaps in recognition of the weakness of its basic position that the present Formula should not be revised, has for the first time suggested alternative revisions in its "Supplemental Comments". Each of these are patently designed to allow WUI to continue to enjoy a large measure of the unfair advantages accorded to it under the present Formula.

WUI's Proposal No. 1 is not really a proposal for revising the Formula but rather a proposal to delay any revision of the Formula. Thus, WUI suggests that the carriers themselves agree to amend the Formula within the International Formula Committee (IFC). As even a cursory reading of the divergent views in the pleadings in this proceeding reveal, however, it is quite apparent that all interested carriers could not agree on the appropriate revisions of the Formula. Since WUI seems concerned about a revision of the present voting rights of the carriers within the IFC, it may be suggesting that the Formula be revised in accordance with the majority vote of the IRC's. TRT, of course, strongly objects to any proposal for the Commission to delegate its responsibilities for revision of the Formula to an IRC plurality.

WUI's Proposal No. 2 is to continue in perpetuity the present inequitable distribution of unrouted traffic as reported in the Western Union study. This would obviously do nothing to correct the present inequities under the Formula and would provide no basis for a modification of the distribution of traffic to reflect current conditions.

WUI's Proposal No. 3 would be a minor improvement over the present Formula in that some of the glaring anomalies would be eliminated. However, distribution still would unreasonably be based essentially on the market shares of the carriers in 1942. Moreover, there also would be no mechanism to modify the distribution of traffic to reflect current conditions.

C. ITT's Proposal

ITT proposes to have all unrouted traffic distributed to the IRC's having direct circuits to a country in proportion to the number of routed messages each carrier received from Western Union. In this regard, we agree that the distribution of unrouted traffic in proportion to each carrier's share of Western Union routed traffic provides a logical and equitable distribution method which recognizes the competitive nature of the industry. However, ITT by proposing that traffic only be routed to carriers operating direct circuits has introduced an element which would have an anti-competitive effect nearly as great as the present Formula. ITT's proposal would deprive smaller carriers of a fair share of unrouted traffic for the enrichment of the larger carriers. Thus, the effect of ITT's proposal would be to tend to keep the small carriers small and the large carriers large perpetuating the present competitive imbalance within the industry. Moreover, there is absolutely no reason to deprive a carrier operating indirectly to an overseas point of a share of unrouted traffic proportional to its share of routed traffic which it is able to obtain in competition with the other carriers.

In support of its proposal, ITT states the distribution of any unrouted traffic over indirect routes would frustrate the Commission's determination of the amount of competition among IRC's which is reasonable and in the public interest. We are somewhat at a loss to understand what ITT means by this statement. The Commission has, of course, always permitted carriers to compete for traffic over indirect routes and to our knowledge no one has ever denied that such competition is in the public interest. In a similar vein, ITT argues that the distribution of any unrouted traffic to carriers operating indirectly would deprive a carrier of traffic to points which the Commission had authorized it to serve directly and reward another carrier not so certified. In response to the argument, suffice it say that the Commission in authorizing direct circuits, clearly never intended to grant a monopoly to those carriers receiving direct circuit authority.

ITT further argues that the distribution of any unrouted traffic over indirect routes would result in a lower quality of service to the public. In this regard, TRT will agree that all other factors being equal direct service can be expected to result in better service than indirect service. However, all other factors are never equal. Especially with respect to message traffic, direct versus indirect routing is a relatively minor factor affecting overall service quality. Thus, indirectly routed traffic is usually automatically switched in the transiting country and received in the terminating country moments after it is transmitted by the originating carrier. Thus a much more significant factor affecting overall service quality is the speed and accuracy of the originating IRC in formatting and sending the message, whether it is transmitted to the country of destination over a direct or an indirect route.

TRT receives substantial routed traffic via its indirect routes which, we believe, indicates customer satisfaction with TRT's services. Thus, we submit that to the extent that TRT or another carrier is capable of successfully competing for and retaining routed traffic via its indirect routes, it should not be artificially excluded from handling unrouted traffic to those points as proposed by ITT.

Finally, ITT argues that the distribution of any unrouted traffic over indirect routes would produce an unnecessary impact on the US balance of payments as a result of lower US retained revenues. RCA at page 11 of its Supplemental Comments makes a similar argument. ITT and RCA impliedly assume that the retained revenue on indirectly routed traffic is significantly lower than for directly routed traffic. This is not the case. The retained revenue for indirectly routed traffic is generally comparable to that applicable to directly routed traffic. In this regard, TRT compared the division of tolls on file with the Commission for the top 21 message traffic points as reported by the Commission. To 11 of these points TRT operates indirectly although one or more of its competitors operates directly To two of these major points TRT's retained revenues were actually higher than its competitors operating on direct circuits. Overall, TRT's retained revenue for these 11 points was, on the average, less than a penny per word lower than its competitors operating via direct circuits.

Moreover, the quantity of unrouted traffic that would be transferred to carriers operating on indirect routes quite obviously would not be sufficient to materially affect the international balance of payments. A carrier generally operates on an indirect basis to overseas points because it has not yet built up sufficient traffic to that point to justify a direct circuit. Under a formula which transfers unrouted traffic in proportion to each carrier's share of routed traffic, only a minor share of unrouted traffic would be distributed over indirect routes. Certainly, any de minimis effect which the transfer of unrouted traffic to indirect routes might have on the international balance of payments does not justify ITT's inequitable and anti-competitive proposal any more than it would justify the complete exclusion of carriers from markets for which they have not been authorized to operate direct circuits.

IV. TRT's Proposal

TRT on pages 16-20 of its Comments filed herein on July 8, 1974 has proposed two alternative revisions of the Formula which, we respectfully submit, will provide equitable and logical methods for proportioning unrouted traffic. In seeking an equitable, logical method for proportioning unrouted traffic among all IRC's, the two fundamental criteria should be simplicity and flexibility. The simplest method, and a fair method, would be to proportion unrouted traffic equally between all IRC's serving each destination without regard to message category or length.

TRT's second alternative proposal is essentially that each carrier should be allocated a percentage of unrouted traffic to each destination it serves directly or indirectly in proportion to that carrier's share of the total routed Western Union traffic. We submit that this is a logical and fair method which gives due recognition to the verdict of the marketplace as to the relative capabilities of each IRC to handle the traffic. Moreover, it is a method which rewards rather than penalizes a carrier for carrying specifically routed traffic, and one which provides an incentive rather than a disincentive to improve the services it provides to and rates charged the using public.

RCA implies that the implementation of TRT's proposal would have a severe adverse impact on its operations, alleging at page 12 of its "Supplemental Comments" that it would lose approximately $3,000,000 of outbound GIT per year under the TRT plan. However, we submit that a more meaningful measure of the impact of the revisions proposed by TRT is set forth on Table 5 of its Supplemental Comments. Table 5 shows the effect of TRT's proposed Formula revision in terms of net US retained revenue, which excludes payouts to foreign correspondents. As shown on Table 5, RCA's revenue loss under TRT's proposal would be $1,229,98 or only approximately 1% of its total revenues from regulated operations.

WUI argues at page 13 of its "Supplemental Comments" that ITT's proposal and by implication TRT's also is arbitrary by making the distribution of unrouted traffic dependent on the distribution of routed traffic. In this regard, WUI argues that routed traffic is by and large business oriented traffic while unrouted traffic is largely social traffic. However, we submit that each carrier's share of routed traffic provides the only objective measure available of the public's view as to the relative merits of the various carriers. Moreover, we note that WUI, although arguing that the proposals of ITT and TRT are illogical and arbitrary, does not even contend that there is any logical basis for the existing Formula or any of the revisions which it has proposed.

WHEREFORE, TRT respectfully requests the Commission to promptly revise the Formula to provide for distribution of unrouted traffic which will be just, reasonable, equitable and in the public interest.

Respectfully submitted,

TRT TELECOMMUNICATIONS CORPORATION

J. Robert Moman

J. Robert Moman

1747 Pennsylvania Ave. NW
Washington, D.C. 20006

August 28, 1975

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

669

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.	)	Docket No. 19660 RM-690

REPLY OF WESTERN UNION

The Western Union Telegraph Company (Western Union) herein files its Reply to the Supplemental Comments of Western Union International, Inc. (WUI), RCA Global Communications, Inc. (RCA), ITT World Communications, Inc. (ITT), and TRT Telecommunications Corporation (TRT) in the above-referenced proceeding.

1. Without addressing the merits of the IRC's suggested changes in the international formula, Western Union again emphasizes its position that there exists no reason why it should continue to play a role in the distribution of unrouted cablegram traffic. Western Union's burden in such distribution should be eliminated or greatly reduced, *e.g.*, by requiring that all cablegrams be specifically routed by the sender or by having Western Union transfer all unrouted traffic to the IQB for distribution.

2. As Western Union has previously stated, we find that the existing Formula is becoming increasingly incompatible with requirements of the modern handling and processing of

international telegrams. The implementation of the changes in distribution under the Formula impeded to some extent the efficient handling of international telegrams even in the past, when such handling was done manually. The problems of implementing the Formula in the context of Western Union's computerized switching system present much greater problems. In this regard, it is estimated that the capital cost of programming the Company's computers to provide the current distribution would be approximately $150,000. Substantial additional programming cost would be incurred each time changes in the existing distribution would be made pursuant to the Formula quota provisions to reflect changing traffic patterns.

Finally, one proposal of WUI is worthy of specific comment. That carrier suggests, as one alternative to the present method of distribution, that the carriers themselves could work out amendments to the international formula which would be acceptable to all participants. While this suggestion or other similar alternatives may be attractive to the other IRC's, if Western Union continues to be part of the distribution procedures no change should be made without the concurrence of Western Union. Additionally, whatever method of distribution is adopted should be simple, and compatible with Western Union's method of operations. For example, frequent changes should be avoided and the language of the revised Formula should be complete and precise making clear, among other things, that all capital costs incurred by

Western Union be borne by the international carriers.

In sum, Western Union again urges the Commission to find an alternative to Western Union's role in the distribution of unrouted international messages.

Respectfully submitted,

THE WESTERN UNION TELEGRAPH COMPANY

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Its Attorneys

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August 14, 1975

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document, filed with the Federal Communications Commission on behalf of The Western Union Telegraph Company, by United States mail, first class postage prepaid, on the following:

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Dated: August 14, 1975

Before the
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Washington, D. C. 20554

In the Matter of	)	
	)	
International Record Carriers' Scope of	)	Docket No. 19660
Operations in the Continental United States,	)	RM-690
Including Possible Revisions to the Formula	)	
Prescribed Under Section 222 of the Communi-	)	
cations Act.	)	

TO: The Commission

PETITION FOR STAY

RCA Global Communications, Inc. (RCA Glōbcom) hereby requests a stay of the Commission's Report and Order and Notice of Proposed Rulemaking released January 7, 1976 ("the Decision"). The Decision found unlawful the existing formula governing the distribution of unrouted international telegraph traffic originating on the system of The Western Union Telegraph Company (Western Union) and prescribed, pursuant to Communications Act § 222(e)(3), a new interim formula to be effective March 1, 1976. RCA Glōbcom submits that the Decision fails to satisfy the statutory requirements of the Communications Act and fails to support the findings that the existing formula is unlawful or that a new formula should be prescribed. Accordingly, RCA Glŏbcom requests that the Commission stay its Decision while prompt judicial review of the Decision is sought.*

Preliminary Statement

The Decision repeals, effective March 1, 1976, the formula which has governed distribution of unrouted international telegraph traffic since 1943. The Decision, based upon a complaint submitted by ITT World Communications Inc. (ITT Worldcom) and the written comments submitted by interested carriers and others, concluded that the existing formula is unjust, unreasonable, inequitable and not in the public interest. To replace it, the Commission has prescribed an "interim formula" which will distribute to each international carrier unrouted telegram traffic in proportion to its share of routed telegram traffic. The new formula is intended to be an interim measure pending further proceedings on whether, ultimately, customer routing of all overseas telegram traffic should be required. However, while clearly intended to be interim in nature, the formula prescribed by the Commission will increase, as explained in detail below, Western Union's charges to the international carriers for administering the distribution of traffic by approximately $150,000-$200,000 per year and result in a deterioration of service. The Decision also denied earlier requests by RCA Glōbcom and Western Union International, Inc. (WUI) for the convening of oral evidentiary hearings under Section 222(e)(3) of the Communications Act and the Commission's Rules before the issuance of a decision on the lawfulness in the existing formula.

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*RCA Glŏbcom had intended initially to file this petition for stay shortly after the Decision was formally issued. However, as a result of informal contacts with Western Union, it appeared that that carrier would be unable to make the necessary administrative and operational changes to meet the March 1, 1976 date for changing to the interim formula. Accordingly, we decided to wait until this information was confirmed and presented to the Commission. This presentation was made on February 3, 1976 and, it now appears that the interim formula cannot become effective before March 21, 1976 at the earliest. Therefore, this petition for a stay is being submitted substantially before the earliest possible implementation

Errors In The Decision

The Decision bases its conclusion that the current formula is inequitable and no longer in the public interest on two primary findings. First, the Commission said that the formula "represents a market sharing device which is by definition antithetical to the free flow of competition which Congress sought to encourage and enhance." (Decision p. 2) RCA Glōbcom submits that a simplistic reliance upon "competition" as the benchmark to determine the "public interest" in the present formula is unwarranted in law, FCC v. RCA Communications, Inc., 346 U.S. 86 (1953), Hawaiian Telephone Co. v. FCC, 498 F.2d 771 (D.C. Cir. 1974), and not consistent with the philosophy of regulation. RCA Globcom and the others involved in this proceeding are regulated common carriers precisely because Congress long ago recognized that "competition" cannot serve as a final measure of every detail of the nation's international communications capability.

Second, the Decision found that "under the present formula, it is apparent that for all carriers there is no relation in fact (either direct or inverse) between a given carrier's handling of routed traffic and its handling of unrouted traffic." (Decision p. 13) The Decision did not, however, articulate reasons why it is necessary for such a relationship to exist.

RCA Globcom submits that neither finding supports the conclusion that the present formula is unjust, unreasonable, inequitable, or not in the public interest. In addition to these basic deficiencies, the Decision is replete with other subsidiary findings which are little more than speculative conclusions unsupported by substantial evidence or, in many cases, by any evidence at all. The Decision includes such unsupported assertions as:

- distortions have made the formula inequitable and have worked against the public's interest in a strong, efficient message service - p. 3;

- the formula originally called for proportioned distribution of unrouted traffic - p. 14;
- the formula provides a danger that service may not be improved - p. 17;
- distortions in distribution are injurious to the public interest - p. 17;
- the formula stifles user choice - p. 26;
- the formula harms carriers by denying unrouted traffic - p. 26;
- the formula disregards the public's role - p. 12;
- carriers have not effectively sought to reach users - p. 27;
- public interest will be served by reliance upon consumer choice - p. 35.

The Decision's numerous unsupported findings demonstrate that its ultimate conclusions on the existing formula are not based upon substantial evidence, but are an arbitrary and capricious product of speculative theorizing. A Decision so grounded should be vacated. See *Bowman Transportation, Inc.* v. *Arkansas - Best Freight System, Inc.*, 419 U.S. 281, 285 (1974); *Nader* v. *FCC*, 520 F.2d 182, 193 (D.C. Cir. 1975).

The prescription of a new interim formula by the Commission is equally faulty. In this respect, the Commission failed to treat the effect of the new formula on the carriers or the public--an issue which it had designated for comment by the parties and on which substantial reliance had been placed in a prior Commission decision on the formula. See 30 F.C.C. 380 (1961). The Commission did not address the argument, which had support in the paper comments and which was unrefuted by the opposing parties, that the public would be adversely affected if a formula were prescribed that gave an incentive for excessive sales expenditures. Rather, without even addressing the adverse effects therefrom, the Commission stated that it expected the carriers to ready a new advertising campaign leading to millions in new costs to solicit routings from users who have domonstrated everyday for many years that they simply do not care.*

Finally, the Commission failed to address the operational practicality of the interim formula. This failure has resulted in the prescription of a formula which will not only be more costly to administer but will also result in degradation of service to the public. As the Commission's staff and the parties were informed on February 3, 1976 at a meeting requested by Western Union, the implementation of the interim formula will entail an annual additional recurring cost of $150,000 to $200,000.* But even more striking is that the added complexities of the interim formula will result in a degradation in service of at least 20 minutes for each of approximately one-half of the unrouted messages now handled.

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*The Commission has failed to adequately consider that under modern computer technology, outbound telegram traffic is being transferred automatically from Western Union to the overseas circuits of the international carriers.

Therefore, we submit that the Commission failed to demonstrate that the interim formula will conform to the statutory requirements of Section 222(e)(3).

Furthermore, the Commission's refusal of the request by RCA Globcom and others for evidentiary hearings was a prejudicial error which denied to the Commission a record adequate for the decisional process which the Commission pursued. In light of

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*It should also be noted that the above costs apply only if the interim distribution of unrouted messages is done on a manual basis. If the interim formula were to be extended, efforts to computerize the distribution would be made at an unknown but substantial cost. Western Union estimated that the programming task would take nine months.

Section 222(e)(3)'s requirement for a full hearing, the denial of such hearing was more than bad practice, it was legal error. *United States* v. *Storer Broadcasting Co.*, 351 U.S. 192, 202 (1956); *International Harvester Co.* v. *Ruckelshaus*, 478 F.2d 615, 630 (D.C. Cir. 1973); *American Telephone & Telegraph Co.* v. *FCC*, 449 F.2d 439, 451 (2d Cir. 1971); *Langevin* v. *Chenango Court, Inc.*, 447 F.2d 296, 300-01 (2d Cir. 1971). See also 5 U.S.C. § 553(c) (1970). RCA Globcom submits that the parties posed, and the Commission ignored, factual issues* which required a full evidentiary record.

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*The Commission should have heard evidence on such questions as these:

- whether and in what respect does equitable distribution require a relation between routed and unrouted traffic;
- what carrier actions lead to overages and deficiencies under the present formula;
- how, if at all, the formula acted as a disincentive to improved service;
- the extent to which formula changes will lead to duplication of facilities and increased solicitation costs;
- whether and in what way increased competition will benefit the public;

(con'd. on next page)

As a result of the above listed deficiencies, RCA Globcom submits that the Commission's holding on the existing formula and the new formula is based on an inadequate record, does not conform with the statutory standards of Section 222(e)(3), and is not supported by adequate and necessary findings by the Commission. American Telephone & Telegraph Co. v. FCC, supra, 449 F.2d at 450-51; see National Ass'n of Motor Bus Owners v. FCC, 460 F.2d 561, 565 (2d Cir. 1972). In short, the Commission has not satisfied, in terms of either procedure or substance, the requirements imposed by Section 222(e)(3) as a condition of cancelling the current formula and prescribing a new one.

(con'd. from preceding page)

- whether service on WU originated traffic is better to countries where a single carrier receives all the unrouted traffic than to countries where unrouted is shared or vice versa;
- how and in what specific respects can service on WU originated traffic be expected to improve as a result of a change in the formula;
- is there any evidence that unrouted filers care which carrier handles their traffic;
- whether the public is willing to pay the increased cost of solicitation and what that cost will be.

These issues, while relevant to any proper decision-making process, could not be developed within the restrictive procedural format provided by the Commission.

A Stay Is Proper Until The Requirements Of Section 222(e)(3) Have Been Satisfied

The preceding sections demonstrate that the Commission's rejection of the old formula and prescription of a new formula failed to comply with Section 222(e)(3) of the Communications Act and, therefore, cannot stand. Certainly, there is strong reason for believing that a court of appeals may so hold. The Commission's action also works such grievous harm upon RCA Glōbcom that its implementation should be stayed while judicial review is sought.

RCA Glōbcom submits that the issuance of a stay is especially appropriate in view of the fact that the formula scheduled to become effective in March is only interim in nature and represents only a step towards the ultimate formula that the Commission stated it believes should be prescribed. Since comments on the Commission's proposal are to be filed March 26, 1976, there is no reason for the Commission to effectuate an interim formula which will cause substantial disruption of existing distribution patterns, add unnecessary cost, and degrade service to the public.

Consequently, this factor should be given great weight by the Commission in its deliberation on the instant petition for stay.

The courts have enumerated the following circumstances in which a stay is proper.

> The petitioner has made a strong showing that it is likely to prevail on the merits of its appeal.
>
> The petitioner has shown that without such relief it will be irreparably injured.
>
> The public interest will not be harmed.
>
> The issuance of a stay will not substantially harm other parties, See e.g., Virginia Petroleum Jobbers Association v. FPC, 259 F 2d 291 (D.C. Cir. 1958).

Those standards also have been used by the Commission in determing whether a stay should be granted. See Request for Stay of FCC Schedule, 52 F.C.C. 2d 224 (1975). Application of those four standards to the present facts demonstrate that the Decision should be stayed.

Likelihood of Success. The Commission's Decision, for the reasons already noted, conflicts with the requirements of Section 222(e)(3). The Decision was rendered in disregard of that statute's requirement for a full hearing. It was rendered upon an inadequate and incomplete record. Important factual "findings" in the Decision respecting the old formula are in many instances incorrect and in others so devoid of any basis as to be arbitrary and capricious. With respect to the interim formula prescribed by the Decision, no adequate findings have been made. In light of these substantive deficiencies, RCA Glōbcom has strongly demonstrated that it is likely to prevail on the merits of its appeal.

Irreparable Injury. The irreparable injury that will be sustained by RCA Glōbcom should a stay be denied is caused by the fact that RCA Glōbcom will lose annually approximately 412,000 United States originated telegrams. This will cause RCA Glōbcom to sustain an outbound revenue loss of approximately $428,000. Some 530,000 telegrams of foreign origin also would be lost to RCA Glōbcom causing an annual inbound revenue loss of $1,600,000. The traffic foregone and the revenue lost is irretrievably gone and cannot be recovered at some later time.

Furthermore, should the old formula be tossed aside and an interim formula put in effect pending an appeal, RCA Glōbcom and the other IRC's and Western Union will be compelled to develop their technological plans and communication services on a conditional basis since the duration of the new formula would be in doubt. This commercial uncertainty will lead to inefficiencies, not readily quantifiable in terms of dollar effect, in the operations of RCA Glōbcom and presumably other carriers.

Moreover, should the interim formula take effect, large increases in sales and advertising expenses will become immediately necessary. RCA Glōbcom estimates its additional telegram marketing expenses will increase dramatically, especially if it is seriously going to try to effectively reach users in the hinterland who do not now route and who number in the hundreds of thousands, to the extent of $342,600 a year. Failure to reverse the Commission's interim formula will render such added expenditures a further unrecoverable and irreparable injury. RCA Glōbcom believes those added expenses to be contrary to the public's interest in an efficient and economical overseas telegraph system.

Effect on Public Interest. The stay sought will not harm the telegram users--not one of which has asked the Commission for the change to our knowledge; its denial will. Once the interim formula takes effect increased sales efforts to garner overseas traffic will become the order of the day as the Commission staff recognized. The Commission has not yet considered, much less determined, the adverse effect this in the long run will have on the public. The most likely result is that the increased overall costs will lead ultimately to a corresponding increase in charges to the public.

As noted above, the public will also be injured during the interim period by the fact that approximately one-half of the unrouted messages now handled will be delayed under the administration of the interim formula for periods estimated by Western Union to be 20 minutes or more. In addition, it should be noted that the meager findings which the Commission made concerning possible benefit to the public from the interim formula were highly conjectural in some cases and simply incorrect in others. There cannot be any short term detriment to the public if the effectiveness of the interim formula is stayed.

The combination of the above factors indicate that stay of the Decision will probably result in benefits to the public and, at worst, will not have any adverse effect.

Lack of Substantial Harm to Others. While revision of the formula works irreparable harm to RCA Globcom, a stay of the Decision preserves the position of the other carriers. Destruction of the old tears down what RCA Globcom has developed over thirty years--a communication service geared to handle an anticipated telegram volume and to generate a resulting level of revenues. By having the interim formula to go into effect, the telegrams and revenues anticipated by RCA Glōbcom are taken from it and distributed to other carriers. The net effect of this unjustified redistribution is that RCA Glōbcom is left with a substantial loss while other carriers reap an unanticipated and unjustified revenue windfall.

Beyond the above, the thought that an extension, pending judicial review, of a distribution system that has enabled all carriers to expand service and to do so profitably for over thirty years will cause substantial harm to other carriers flies in the face of reality. The relief sought would work no substantial harm to other carriers or the public. It would merely continue, for a limited period, a condition under which all have operated for three decades.

Conclusion

For the reasons set forth in this petition, RCA Globcom requests the Commission to order a stay of its formula Decision pending judicial review.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

s/ Francis J. DeRosa

s/ Carl J. Cangelosi

Its Attorneys
60 Broad Street
New York, New York 10004

February 11, 1976

AFFIDAVIT OF CLAUDE DAOUD

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Claude Daoud, being duly sworn, upon oath deposes and states as follows:

I am employed by RCA Global Communications, Inc. as Administrator, Operating Arrangements and Planning. I performed an evaluation of the loss in terms of messages and dollars for traffic both originating in the United States and in overseas locations that would result if the Commission's decision on the international formula were to become effective. The evaluation took into account the actual distribution to be made on a per country basis with the actual division of revenues applicable to traffic to the individual countries. The figures appearing on page 12 are the result of the study that was performed and are correct to the best of my knowledge and belief.

Claude Daoud

Sworn to before me this

11th day of February, 1976.

Notary Public

ROSE [illegible]
NOTARY PUBLIC, [illegible]
No. 3 [illegible]

AFFIDAVIT OF MARTIN FINKELSTEIN

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Martin Finkelstein, being duly sworn, upon oath deposes and states as follows:

1. I am employed by RCA Global Communications, Inc. (RCA Globcom) as Director, Switched Services Marketing. In this position, I am responsible for the marketing of RCA Globcom's telegram service. As a result of the Commission's decision on the international formula, I have been engaged in preparing plans for increasing RCA Globcom's sales effort to solicit traffic which has been heretofore unrouted. The dollar figure appearing on page 13 was an estimate prepared by me and is intended to represent the initial minimum expenditure that will be necessary under the interim formula. Undoubtedly, a much larger increase in sales expenditures will be necessary in the future as the other international carriers also increase their solicitation efforts under the interim formula.

2. The estimate appearing on page 13 is correct to the best of my knowledge and belief.

Martin Finkelstein

Sworn to before me this

7 day of February, 1976.

CERTIFICATE OF SERVICE

I, Mary S. Ruedi, hereby certify that on this 11th day of February, 1976, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

Walter R. Hinchman
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Leon M. Kestenbaum, Esq.
The Western Union Telegraph Company
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Howard A. White, Esq.
ITT World Communications Inc.
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Ernest Brod, Esq.
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Mr. D.N. MacLeod, General Manager
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Canadian National Telecommunications
151 Front Street, West
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Charles Miller, Esq.
Covington & Burling
888 - 16th Street, N.W.
Washington, D.C. 20006
(Counsel for TRT Telecommunications Corp.)

s/ Mary S. Ruedi

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
International Record Carriers' Scope of)
Operations in the Continental United) Docket No. 19660
States, Including Possible Revisions to) RM-690
the Formula Prescribed under Section)
222 of the Communications Act)

To: The Commission

PETITION FOR RECONSIDERATION

Western Union International, Inc. (WUI) hereby petitions the Commission for reconsideration of its Report and Order and Notice of Proposed Rulemaking (Order), released January 7, 1976, to the extent that such Order: (1) requires that the formula governing the distribution of unrouted messages transferred from the Western Union Telegraph Company (WUTelCo) to the international record carriers (IRC's) includes traffic picked up directly by the IRCs in their gateway offices in the "routed" traffic base that determines the proportion of unrouted traffic to be received by each IRC; (2) abruptly abrogates a 30-year continuing formula with resulting sharp revenue shifts among the IRCs, merely by administrative fiat; and (3) appears to require WUTelCo Telex and TWX subscribers located in WUI's gateway cities to bear the cost of transmission between their terminals and WUI's operating offices for the purpose of filing and receipt of international cablegrams. In support of its petition WUI respectfully submits as follows:

USE OF GATEWAY PICKUP TRAFFIC

1. In its Order herein, the Commission determined that unrouted message traffic filed by the public with WUTelCo should be allocated among the IRC's in the proportion that routed traffic carried by each IRC bears to the total traffic to each destination point.* WUI requests the Commission to redefine the "routed" traffic base, for the purposes of the formula, to exclude all traffic picked up directly by the IRC's over the counter, by tieline or by telephone in their respective gateway offices.

2. Neither TRT Telecommunications Corp. (TRT) nor ITT World Communications Inc. (ITT), the principal proponents of a change in the formula, advocated the use of IRC direct gateway pickup traffic in the base

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* WUI does not agree with the Commission's adoption of the general concept of using routed traffic to govern the distribution of unrouted traffic for the reasons specified in WUI's prior pleadings herein; and the Commission is requested to reconsider its general concept.

governing distribution of unrouted traffic by WUTelCo. The formula was originally promulgated pursuant to Section 222(e) of the Communications Act of 1934, as amended. This provision required the "merged carrier" (i.e. WUTelCo) to distribute traffic to the international record carriers in accordance with a formula to be approved by the Commission. Clearly, WUTelCo can only distribute traffic which it has received from its own customers, and Section 222(e) relates to this traffic, not the traffic filed directly with the IRCs in their gateway offices.

3. The Commission's Order failed to give appropriate recognition to the fact that the IRC's compete in two essentially different markets: (a) one consisting of that portion of the public which has no convenient access to the IRCs except through the facilities of WUTelCo (the hinterland/WUTelCo market); (b) another consisting of that portion of the public which has immediate and convenient access to the IRC's in their gateways (the gateway/IRC market). The customers in the gateway/IRC market file their traffic over the counter, by telephone and by tieline directly to the IRC's, while the hinterland/WUTelCo market accesses the IRC's only through WUTelCo's facilities.

4. The hinterland/WUTelCo market is distinctly different, geographically and conceptually, from the gateway/IRC market. It might be argued, as the Commission did, that routed messages should govern the distribution of unrouted messages in the hinterland where the IRCs have no direct operational presence. WUTelCo is the initial recipient of both routed and unrouted messages in the hinterland. However, messages received directly by the IRCs in the gateways do not have any WUTelCo nexus--an indispensible and logical requirement for relevancy to formula distribution quotas. Moreover, the IRCs might be motivated to open additional unjustified public gateway offices for their influence on the distribution by WUTelCo of unrouted hinterland traffic, thus resulting in wasteful allocation of carrier resources.

5. None of the parties to this proceeding had any notice of the proposed inclusion of IRC gateway pick-up traffic in the formula base until the Commission's Order was released, and had no opportunity to comment.*

6. The Commission's adoption of a rule incorporating features of which WUI had no notice, and which affect its interests, violates §222(e)(1), which requires

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* See paragraph 41 of the Order wherein the Commission declined to abrogate a benefit outstanding to WUTelCo because it did not address this issue in its pleadings.

"due notice and hearing" before the Commission may prescribe a formula, and §222(e)(3), which requires "a full hearing" before the Commission may prescribe revisions in the formula. Since this is a rulemaking proceeding, the Commission's Order is also a violation of §553(b) of the Administrative Procedure Act, 5 U.S.C. §553(b), which requires notice of the "terms or substance of the proposed rule or description of the subjects and issues involved". No notice of the proposed use of gateway pickup traffic to control allocation of unrouted traffic was given. Similarly, the Order violated Section 553(c) of the APA, 5 U.S.C. §553(c), since interested persons obviously had no opportunity to submit "written data, views or arguments" on a matter of which they had no notice.

7. The only reason cited by the Commission for inclusion of direct pick-ups is that:

> "This is the most likely way to achieve the goal of distributing unrouted traffic on the same basis as routed. Direct pickups are by definition specifically routed and represent a significant portion of overall traffic. Therefore, to ignore such traffic would be unrealistic and contrary to our overall policy herein." Order, Paragraph 51.

8. This language is inadequate to justify inclusion of direct pickup traffic. The Order does not explain why the exclusion of such traffic would be contrary to the Commission's overall policy. Nor does the Order explain how direct IRC gateway pickups, in which WUTelCo is never involved, are relevant to a totally distinct market relationship between WUTelCo and the public. It is the latter relationship that produces unrouted international message traffic, whose distribution is subject to the formula.

9. The inclusion of direct pickup traffic would result in a significant and unjustified prejudice to WUI. At the time that WUI was authorized to acquire WUTelCo's international operations, the formula was amended to reflect the fact that WUI had no public offices. The formula gave WUI the right to all traffic, not otherwise routed, filed with WUTelCo in Manhattan south of 60th Street. At that time, WUTelCo had 85 offices south of 60th Street.* All messages not otherwise routed filed in these offices were deemed specifically routed via WUI. Additionally, WUI was entitled to all of the traffic filed with WUTelCo's telephone acceptance bureau at 60 Hudson Street, and all traffic filed by tielines which terminated south of 60th Street.

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* Western Union Divestment, 30 FCC 323, 380 (1961).

10. Since 1963 there has been a drastic erosion of traffic received by WUI from all three of these sources. The 85 public offices have shrunk to only three. The Hudson Street telephone acceptance bureau has been closed and all telephone-filed traffic is received at WUTelCo's Moorestown, N.J. Central Telephone Bureau, and is not considered by WUTelCo as automatically routed via WUI. The tielines that were terminated in Manhattan have now been almost completely diverted to telex or reterminated elsewhere. Public message traffic filed over such tielines is now considered by WUTelCo to be received in its computer center in Middletown, Virginia, and is not automatically routed via WUI. Notwithstanding this reduction in its direct pickup facilities in Manhattan, WUI was and still is prohibited by the terms of its Domestic Facilities Agreement with WUTelCo from opening its own gateway offices.

11. Thus WUI is at a severe competitive disadvantage with respect to such traffic. However, the Domestic Facilities Agreement expires by its own terms on September 30, 1976. Thereafter, WUI will be able to open its own gateway public offices. Of course, a subsequent substantial time period will be required for WUI to develop its own customer

base comparable to its long-entrenched competitors, RCA and ITT.*

12. At the present time, the IRC's report to the International Quota Bureau (IQB) the total of all traffic received directly by them, including both traffic filed with their public offices and telephone bureaus, and direct access traffic received by telex and TWX from WUTelCo subscribers. Since the direct access traffic comes from the same population of hinterland/WUTelCo customers as does the WUTelCo transfer routed and unrouted traffic, it is logical and appropriate to include the direct access traffic from WUTelCo telex and TWX subscribers in the "routed" traffic used to distribute the unrouted traffic. However, the IRC's do not provide a break-down between their gateway pick-up traffic (which should be excluded from the formula calculations), and the direct access traffic (which should be included). Therefore WUI requests the Commission to direct the IRCs to report their direct access traffic separately to the IQB in order to permit it to calculate the proportions to which each IRC is entitled. This data should be readily available for any recent period that the Commission might

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* The approaching expiration of the Domestic Facilities Agreement eliminates the need for any action respecting the disposition of WUI public offices, referred to in paragraph 41 of the Order, and largely moots the thrust of paragraphs 37 through 41 of the Order.

designate, including the period of the WUTelCo study of transfer traffic.

13. To permit implementation of the new formula, the Commission should require the IQB to calculate the IRC's quotas based solely upon the proportion of routed transfer traffic to total transferred by WUTelCo as a preliminary measure, effective until the IQB is able to calculate quotas based upon transfer and direct access traffic. The new formula ordered by the Commission can be implemented upon this basis. The quotas can be adjusted promptly upon the receipt of the data from the IRCs relating to its direct access traffic. (The alternative temporary measure of allocating unrouted traffic upon the basis of all traffic including IRC gateway pick-up traffic, while technically feasible, would perpetuate the discrimination against WUI described above).

THE INTERIM FORMULA SHOULD BE PHASED IN

14. The current formula has been in operation for over 30 years. The IRCs have invested in physical plant, programmed their computers and arranged their operating procedures, based upon the traffic flow that is predictable on the basis of this long experience with the formula. They have based their financial projections in part upon the traffic expected under the present formula. Similarly, WUTelCo

rogrammed its computers and arranged its operations upon the method of distribution of traffic contained is formula. In particular, WUTelCo has programmed its ve computer complex at Middletown, Virginia and set up aota distribution center at Minneapolis, Minnesota, upon this formula. Overall, the formula has greatly enced the international record industry in many areas, annot be suddenly changed with causing disruptions.

15. However, the Commission's Order requires that iterim formula be placed into effect by March 1, 1976. stroke, all of the arrangements and expectations of RCs and WUTelCo based upon the present formula will obsolete and will have to be extensively modified. time has the Commission ever stated any reason why iterim formula must be placed into effect on such ex- y short notice, and a transition period to permit preparation is essential. To permit an orderly, ent and economical implementation of the interim a, and to permit WUI to compete on an equal basis ts competitors, WUI requests reconsideration of its ive date and requests a postponement to January 1, 1977.

16. At a meeting of the interested carriers at the sion's offices on February 3, 1976, WUTelCo stated t planned to implement the formula on a completely

computerized basis, but that it would take approximately nine months to program its computer to cope with the interim formula. In the meantime, WUTelCo proposed to make extensive alterations in the Minneapolis distribution center and to hire several extra operators to handle the increased load resulting from the fact that traffic destined to formerly exclusive points will have to be distributed on a message by message basis. WUTelCo stated that the additional one-time cost would run in excess of $12,000, and the additional labor costs would be at the rate of $150,000 to $200,000 per year. In order to achieve implementation of the interim formula on an immediate basis, it said that it was willing to train the additional operators as rapidly as possible, but that even so it would not be able to implement the new formula at least until March 21, 1976.

17. The need for such haste is not apparent. It does not make much sense to implement the interim formula manually with hastily trained operators while programming of the computers is continuing. It is reasonable to expect under these circumstances that not only will unnecessary expenses be incurred but the quality of service provided by inexperienced operators will suffer. A postponement to January 1, 1977, will allow WUTelCo the time it needs for computerization and eliminate

the waste and risk of service delays inherent in an augmented manual operation.

18. As pointed out above, WUI has no public offices, and under the terms of the Domestic Facilities Agreement with WUTelCo, will not be permitted to open its own offices until after September 30, 1976. It will take some time for WUI thereafter to open its offices and develop customer awareness and acceptance of these offices. The three-month period from October 1, 1976 to January 1, 1977 is the bare minimum needed to prepare to compete for traffic. Thus, in the event that the Commission does not grant the relief requested by WUI in the preceding section (exclusion of gateway/IRC traffic from the base of routed traffic used to determine distribution), a postponement of the effective date of the interim formula to January 1, 1977 will be necessary to give WUI an opportunity to compete on an equal basis.

GATEWAY DIRECT ACCESS

19. The formula attached as an appendix to the Order defines various categories of messages as specifically routed. Paragraph IV (b) refers to messages filed with the IRCs at their gateway offices "by means of domestic communications networks such as domestic telex,

TWX, telephone, or mail, or by messenger so long as the customer pays all charges incurred in connection with the use of such means for the purpose of filing international messages (direct access)".

20. This definition of direct access ignores the difference, recognized by the Commission, between users of the domestic telex and TWX system located in the gateways and those located in the hinterland. In The Western Union Telegraph Company, 32 FCC 2d 752 (1971), the Commission ordered WUTelCo to

> "permit telex users located within the gateway cities to directly access the international carriers located therein for the filing and receipt of international messages with the telex charges being paid by the international carriers as are TWX charges under currently similar circumstances". 32 FCC 2d at 756.

21. It is believed that the failure to differentiate between gateway and hinterland telex and TWX subscribers (and similarly between gateway and hinterland users of other communications networks such as telephone and mail) was inadvertent, and no change in the Commission's policy regarding direct access from customers located in the gateways was intended. Accordingly, WUI requests the Commission to amend paragraph IV (b) of the Appendix to the Order to indicate that such gateway customers are not required to absorb the cost of direct access.

In addition, there is no reason to engraft the paid direct access procedure into the message quota formula. In the future the Commission may wish to shift from a paid direct access to a free direct access policy. Therefore, there is no basis to encumber this formula with either policy.

WHEREFORE, Western Union International, Inc. hereby respectfully requests the Commission to reconsider its Report and Order and Notice of Proposed Rulemaking herein, released January 7, 1976, and to: (1) amend the formula by including in the routed traffic base used to allocate unrouted traffic only routed transfer traffic and direct access traffic; (2) postpone the effective date of the formula to January 1, 1977; and (3) clarify that gateway customers using direct access to file or receive messages are not required to bear the cost of telex, TWX or telephone transmission.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: Roger P. Newell
Its Attorney

1 WUI Plaza
New York, New York 10004

Dated: February 11, 1976

CERTIFICATE OF SERVICE

I, Burnadine Diggs, do hereby certify that a copy of the foregoing "Petition for Reconsideration" of Western Union International, Inc. has been sent by United States mail, postage prepaid, to the following:

Joseph J. Jacobs, Esq.
ITT World Communication Inc.
67 Broad Street
New York, New York 10004

Carl J. Cangelosi, Esq.
RCA Global Communications, Inc.
60 Broad Street
New York, New YOrk 10004

Rodger M. Sanders, Esq.
RCA Global Communications, Inc.
60 Broad Street
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Roderick Mette, Esq.
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The French Telegraph Cable Company
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New YOrk, New York 10004

United States-Liberia Radio Corporation
1200 Firestone Parkway
Akron, Ohio (AIRMAIL)

Mr. D. N. MacLeod, General Manager
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Montreal Quebec, Canada (AIRMAIL)

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/s/ Burnadine Diggs

Dated: February 11, 1976

RECEIVED
FEB 20 1976
LAW DEPARTMENT

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
)
International Record Carriers' Scope of)
Operations in the Continental United) Docket No. 19660
States, Including Possible Revisions to) RM-690
the Formula Prescribed under Section 222)
of the Communications Act)

To: The Commission

MOTION FOR EXTENSION

The Western Union Telegraph Company ("Western Union") hereby moves the Commission to extend the March 1 deadline for the implementation of a new interim formula governing the distribution of unrouted international cablegram traffic (as established in the Commission's Report and Order and Notice of Proposed Rulemaking, released January 7, 1976, F.C.C. 75-1430) until March 21, 1976. In support of this motion, Western Union states as follows:

At the present time, Western Union receives approximately 59,000 unrouted international cablegrams each week at its computer center in Middletown, Virginia. About 26,000 of these unrouted cablegrams are destined to "exclusive" areas (i.e., areas to which all unrouted traffic is sent via a single IRC) and can be sent automatically to a specific IRC directly from our Middletown computer. The remaining 33,000 messages are transmitted to

Minneapolis where they are sorted, and in most instances, tallied by hand.[1]

The new "interim formula" proposed by the Commission in its Report and Order of January 7 would eliminate "exclusive" destinations and would require -- until the entire process could be computerized -- that all 59,000 weekly messages be sorted and tallied manually at our Minneapolis facility. This would just about double the number of messages to be handled at Minneapolis. In addition, the process of tallying and sorting the messages received would become more complex because

(1) The number of separate overseas destinations would be increased from 34 to 195, and

(2) The messages themselves would have to be tallied in multiples of 100,[2] whereas, at present, messages are tallied on the basis of simpler ratios.

Extensive modification of our existing facilities in Minneapolis will be required before Western Union is able to handle the almost doubled volume of traffic and more complicated sorting occasioned by the Commission's new interim formula. New channels will have to be ordered between Minneapolis and the various international carriers; the sending speed of certain existing channels to the IRCs will have to be increased from 75 to 100 words per minute; new teleprinters and other equipment will have to be ordered and installed; and, existing facilities will have to be rearranged to make room for the additional equipment placed on line. The expanded and reorganized facilities at Minneapolis will then have to be thoroughly tested before being brought into service.

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[1] About 6,600 messages sent to Minneapolis are to "exclusive" areas receiving comparatively little traffic. These messages must be sorted but not tallied at Minneapolis.

[2] For example, under the new interim formula, the distribution of unrouted traffic to the Senegal Republic would break down as follows: 9.88% to French Cable; 26.72% to ITT; 49.42% to RCA; .14% to TRT and 13.84% to WUI. In order to give each carrier the unrouted traffic it is entitled to under the formula to the nearest percentage point, the operator must keep track of at least 100 messages.

Equally important, the distribution of unrouted cablegrams under the new formula will require the addition of a minimum of seven new employees at our Minneapolis center to assist with the increased sorting and tallying involved. Pursuant to our existing labor agreement we must post the bulletins for the new positions involved here (operators and clericals) for seven consecutive days. Western Union will then have an additional seven days in which to award the positions to successful applicants. If no bids or an insufficient number of bids are received from within the company, Western Union will then seek applicants outside. Once the seven positions have been filled, we estimate that a two week training period will be required simply to teach the new operators the "switching" phase of their work. In addition, further training will be required for the operators to familiarize them with all methods of operation.

Western Union will not be able to complete the extensive renovation and expansion of facilities at its Minneapolis center or train the necessary employees in time to meet the March 1 deadline for implementing the new formula. Our best estimate at the present time is that the necessary preparations -- which have already commenced and are proceeding without delay -- will be completed on or shortly before March 21. We therefore urge that the Commission extend the present March 1 date until March 21, when Western Union will have the facilities and manpower to undertake the additional burdens placed upon it by the new formula.

We have been authorized to state by counsel for the principal parties in interest here -- ITT World Communications, Inc., RCA Global Communications, Inc., TRT Telecommunications Corporation, Western Union International, Inc. -- that they have no objection to the extension requested herein.

WHEREFORE, for the foregoing reasons, The Western Union Telegraph Company respectfully requests that its Motion for Extension be granted and that the date for the implementation of a new interim formula governing the distribution of unrouted international cablegram traffic be extended to March 21, 1976.

Respectfully submitted,

THE WESTERN UNION TELEGRAPH COMPANY

By
Joel Yohalem

Leon M. Kestenbaum

1828 L Street, N. W.
Washington, D. C. 20036

Its Attorneys

February 19, 1976

Of Counsel:

R. C. Hostetler, Esq.
One Lake Street
Upper Saddle River, N. J. 07458

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document, filed with the Federal Communications Commission on behalf of The Western Union Telegraph Company, by United States mail, first class postage prepaid, on the following:

Walter R. Hinchman, Esquire
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N. W.
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Stephen S. Melnikoff, Esquire
James O. Juntilla, Esquire
Staff Counsel
Common Carrier Bureau
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United States-Liberia Radio Corp.
1200 Firestone Parkway
Akron, Ohio 44317 (AIR MAIL)

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The French Telegraph Cable Co.
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Sixty Broad Street
New York, New York 10004

Luisa Virginia Girlando

Dated: February 19, 1976

FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

'714

In the Matter of	)	
	)	
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed Under Section 222 of the Communications Act.	)))))	Docket No. 19660 RM-690

To: The Commission

OPPOSITION TO PETITION TO STAY

ITT World Communications Inc. (ITT Worldcom) hereby opposes the petition filed in the above captioned matter by RCA Gobal Communications, Inc. (RCA Globcom) requesting the Commission to stay the effectiveness of its order prescribing a revised International Formula (Formula Order).[1] As will be shown hereafter, RCA Globcom has completely failed to sustain its burden of showing that the extraordinary relief of a stay of the Commission's Formula Order was merited. Accordingly, the RCA Globcom petition should be dismissed or denied by the Commission.

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[1] Report and Order and Notice of Proposed Rulemaking, released January 7, 1976, Docket No. 19660, FCC 75-1430.

As recognized by RCA Globcom, the established criteria which must be met before a stay of a Commission order should be issued are:

1. A strong likelihood of prevailing on merits of appeal,
2. A showing of irreparable injury to petitioner if stay is not granted,
3. Absence of substantial harm to other interested parties if a stay were granted, and
4. A showing that stay would be consistent with the public interest.[2]

Nonetheless, while recognizing the existence of these criteria, RCA Globcom has singularly failed to show that its cause satisfies those criteria. Most importantly, RCA Globcom has failed to show any error in the Commission's decision, and thus, there would be little, if any, chance that it will succeed in having that decision reversed on appeal.[3]

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[2] See, for example, *Virginia Petroleum Job. Assn. v. F.P.C.* 259 F. 2d 921, 925 (D.C. Circuit, 1958).

[3] Indeed, as should become obvious hereafter, RCA Globcom's appeal is little more than a sham filed for the sole purpose of preserving for some further period of time RCA's disporportionate share of unrouted traffic under the existing formula.

The Commission's Decision Is Sound, Well Reasoned, And Supported By The Evidence Of Record.

In attempting to show reversible error in the Commission's Formula Order, RCA Globcom has contended that the Commission's findings and conclusions are arbitrary and capricious and not supported by the record. In addition, RCA Globcom has claimed error in the Commission's determination not to grant RCA Globcom's request for an oral evidentiary hearing. Neither of these contentions will stand serious scrutiny.

Section 222(e)(3) of the Communications Act establishes criteria for the Commission's review of the International Formula when it determines that the existing formula is unjust, unreasonable, _or_ inequitable, _or_ not in the public interest. In that event, the Commission is required to prescribe a new formula which will be just, reasonable, equitable and in the public interest. In its instant petition, as well as in its prior submissions in this matter, RCA Globcom has sought to ignore the criteria of justness, reasonableness and equitableness necessary to the lawfulness of a particular formula, and by selective juxtaposition of various statements in the Commission's decision, often taken out of context, has argued that a finding that the existing formula was not in the public interest count not reasonably be made from this Commission decision.

It is apparent from even a casual reading of the Formula Order, that the Commission while certainly finding that the existing formula did not operate in the public interest, predicated its decision as to the unlawfulness of that Formula largely on the unjust, unreasonable and inequitable distribution of unrouted traffic among the participating International record carriers, and the conceptual flaws in the formula which caused this distribution.

The simple and uncontested traffic statistics from the traffic study performed by the Western Union Telegraph Co. (Western Union) show the gross distortion from any standard of justness, reasonableness and equitableness, which characterize the present unrouted traffic distribution. These statistics alone would provide a sufficient basis for the Commission's finding of unlawfulness of this Formula. This distortion in unrouted distribution is particularly evident as between ITT Worldcom and RCA Globcom, which in all other respects, including share of routed message traffic, are approximate equals, but in the distribution of unrouted traffic pursuant to this Formula. RCA Globcom receives almost 50 percent of that traffic (out of 5 carriers participating in this formula), while ITT Worldcom receives only about 11 percent of that traffic (Formula Order, para. 17, pp. 12-13).

RCA Globcom has never suggested any reason why it should be so heavily favored, nor ITT Worldcom so severely prejudiced, in the distribution of traffic from a pool which by definition has had no preference, expressed by the sender, as to carrier by which the message should be routed. The Commission clearly was correct in its determination that such distortions were not consistent with the criteria of Section 222.

The Commission did not stop, however, with simply recognizing that the unrouted traffic statistics shown by the Western Union study conclusively established the unjustness, unreasonableness and inequitableness of the existing formula. It went on to further analysis of those statistics, as well as the existing distribution methodology. It also made a thorough review of the conceptual bases in the existing formula which have fostered the gross distortions in the present distribution of unrouted traffic. All of these analyses lead to the same indisputable conclusion-that the existing formula distribution of unrouted traffic is unjust, unreasonable, and inequitable and, thus, by statutory definition unlawful.

The Commission further considered the obvious disincentives of the existing formula and the danger that such may have stifled innovation and improvement in international message services, and as well, the special benefits for particular carriers in the existing formula---Schedule B, Appendix 1, and the gateway office arrangement between Western Union

International, Inc. (WUI) and Western Union---determining that they are clearly inconsistent with the dynamics of the strong, competitive international record carrier industry in the 1970's. In the end the Commission concluded, based on a reasoned and logical analysis of the record before it, that in addition to the clear failure of the existing formula to provide a just, reasonable and equitable distribution of unrouted traffic between participating IRCs, the results of continued use of this flawed formula were intrinsically contrary to the public interest, and specifically at variance with the Commission's statutory mandate to guarantee residents of the United States a rapid, efficient communications service with adequate facilities and reasonable charges, (Formula Order para. 42-43, pp. 25-26).

RCA has also challenged the revised formula which the Commission has prescribed to replace the existing unlawful formula. In essence, RCA's arguments are that: (1) The revised formula would unnecessarily increase sales and marketing costs to the participating IRCs; (2) The revised formula would increase the administrative costs for Western Union and allegedly result in degraded service quality; and (3) The revised formula is only intended to be used for an interim period until an all-routed, non-formula can be implemented.

Whether or not RCA Globcom will, in fact, engage in its threatened massive marketing effort upon implementation of the revised formula is a matter known only to that carrier. It would, ITT Worldcom submits, be a highly imprudent expenditure of funds and effort; but more importantly, whether it occurs or not, it has no relevance to the Commission's decision. That decision in no way prejudices RCA Globcom's competitive position in the market place for outbound international telegraphic messages. It adds no new competition for RCA Globcom. All that decision does is recognize that this is a competitive environment, pursuant to prior Commission decisions and policies, and determines that certain artificial barriers to equal competitive opportunity among the carriers already competing in this market should be abolished. RCA Globcom already has adequate incentive to solicit message traffic routed via its facilities. If it seriously believed that added solicitation efforts would have been cost effective, it would have already expended those efforts. The simple fact, however, is that the preponderance of the remaining unrouted traffic is believed to be "social" traffic which is characterized by very infrequent transmissions per user. This category of user is simply not considered reachable by ordinary IRC marketing efforts. In order to establish a "carrier consciousness" among those users would require an extensive and expensive nationwide advertising compaign which, it is submited, cannot be justified based on any reasonable expectation of increased traffic. The most credible marketing strategy here is the provision of superior service to the user in the expectation that the chance or occasional user will become a confirmed user and may, by word of mouth, influence others to also use that carrier's facilities.

The cost increases, for the administrative services provided by Western Union, asserted by RCA are, at best, estimates which are subject to serious scrutiny by each of the participating IRCs. And, while no question exists that Western Union will incur some cost increases as a result of eliminating the "exclusives" in the existing formula with the result that this traffic will now have to be processed through the Minneapolis quota center, the Commission has already determined that the formula which produced those "exclusives" is unlawful, and they must therefore be eliminated. These increased Western Union costs then are simply a necessary by-product of the Commission's prescription of a lawful formula.[4/] In addition, the Commission has already provided that these costs be equitably shared among the participating IRCs, and Western Union has expressed interest in computerizing the formula distribution, which would largely eliminate those recurring administrative costs. Moreover, Western Union has informally

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[4/] It is to be noted that all unrouted formula traffic has historically been processed through the Minneapolis quota center. The direct transmission of the "exclusive" traffic was only begun about three years ago, with the implementation of Western Unions ISCS computer at Middletown, Va.

proposed, as a cost saving measure, the elimination of country-by-country quotas to be replaced with a single world-wide quota, a concept with which ITT Worldcom has already expressed satisfaction in our August 28, 1975 Comments in this matter. The Commission could readily amend the revised formula in this respect upon the petition of an interested party.

RCA's argument that the revised formula will result in a degradation of service for the former "exclusive" traffic is similarly without merit. In the first place, ITT Worldcom seriously questions whether, in the context of the overall handling time for an overseas message, particularly the handling time at the overseas end, the alleged 20 minute delay in transit time resulting from processing the traffic through the Minneapolis center has any real significance to the user. More importantly, however, RCA Globcom is in effect arguing that the "exclusive" country users are receiving preferential treatment _vis a vis_ other users under the existing formula, and that the Commission has an obligation to secure the continuation of this preference. This argument is so completely in conflict with the Commission's mandate to see that all carriers provide their service in such a manner as to avoid all unjust or unreasonable discrimination, and all undue or unreasonable preference, or prejudice as to make further rebuttal unnecessary.

RCA Globcom's challenge to the Commission's action in prescribing an "interim" revised formula is apparently predicated on the theory that the "problems" heretofore addressed would be eliminated if the Commission had avoided the prescription of the interim formula. Although we have already shown that RCA Globcom's "problem" arguments are without merit, the more important consideration is that the Commission had no option except to prescribe an interim formula. Fundamentally, the Commission has made three findings in the Formula Order: (1) That the existing formula is unlawful; (2) That, as a matter of policy, an all-routed "formula" should be adopted, but that the record did not provide an adequate basis for the prescription of such a formula; and (3) That a proportional distribution formula would be lawful and was supported by the record. Having found this existing formula unlawful, and that a lawful formula could be prescribed, Section 222 (e)(3) requires that the Commission shall prescribe such a lawful formula. That the Commission concurrently began a new rule-making preceeding addressed to the future prescription of an alternative lawful formula, and which is indefinite in both time and possible result, can have no bearing on either the lawfulness of the "interim" formula or the Commission's obligation to promptly prescribe that "interim" formula.

In sum, the RCA Globcom challenges to the Commission's findings as to the unlawfulness of the existing formula, and the prescription of a revised formula are singularly devoid of merit. Indeed, even assuming *arguendo* that some of RCA Globcom's out of context nit-picks at the Commission's decision were meritorious, even the authorities cited by RCA Globcom in support of its "arbitrary and capricious" argument 5/ make clear that the Commission's decision here would be upheld. In *Bowman*, the Supreme Court stated that, "Under the 'arbitrary and capricious' standard the scope of review is a narrow one. A reviewing court must consider whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment.... 6/ Similarly, the Court of Appeals (DC Circuit) stated in *Nader* that, "Our function is not to impose our own standards of reasonableness upon the Commission, but rather to ensure that the Commission's order is supported by substantial record evidence and is neither arbitrary, capricious, nor an abuse to discretion." 7/ The Court of Appeals also quoted with approval a decision of the District of Columbia Court of Appeals where that Court said, "Arbitrary action, however, is action not based on facts or reason. The burden upon petitioner is not merely to put forth an acceptable alternative but rather to demonstrate clearly and convincingly a fatal flaw in the action taken." 8/ Clearly, RCA Globcom has not met the test laid down by these

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5/ *Bowman Transportation, Inc. v. Arkansas-Best Freight System, Inc.* 419 U.S. 281 (1974), and *Nader v. FCC*, 520 F.2d. 182 (1975).

6/ Id at 285

7/ Id at 192

8/ *Goodman v. Public Service Commission*-309 A.2d 97 (1973).

tribunals. The Commission's Formula Order must stand.

There Was No Error In The Commission's Determination Not To Conduct A Full Evidentiary Hearing In This Matter

RCA Globcom continues to assert its alleged right to an evidentiary hearing in this matter, with the obvious purpose of delaying the implementation of a lawful formula. Try as it will, however, RCA Globcom remains unable to develop a suitable rational for requiring such an evidentiary hearing. The Commission has dealt with RCA Globcom's hearing request by pointing out that the Formula is a rule within the meaning of Section 551(4) of the Administrative Procedure Act(APA), and that this proceeding is consequently a rule-making for which, in accordance with Section 553 of the APA, a trial-type hearing is not required (citing Bell Telephone Company of Pa. v. FCC, 503 F.2d 1250 (1975.)

Even, however, if it were possible to conclude, through some stretch of imagination, that a trial-type hearing was conceptually appropriate to this formula proceeding, the court decisions have consistently applied the principle that an evidentiary hearing is not required where no material issues of fact are in dispute (see Reply Comments of ITT Worldcom, dated September 6, 1974, in this matter, pp. 15-17). And, there simply are no material issues of fact in dispute in this proceeding. In its instant petition, RCA Globcom has dredged the bottom of its barrel and produced a list of nine alleged factual issues which it claims should have been addressed in the context of an evidentiary hearing. In addition to the infirmity that these alleged factual issues are raised for the first time by RCA Globcom in a Petition to Stay they are also largely irrelevant to the issues in this proceeding. Even where marginally relevant, these issues are more appropriately matters of policy, or in a few instances, matters which could not be "decisively resolved" in an evidentiary hearing.[9] The Commission was clearly correct in refusing to conduct an evidentiary hearing in this proceeding.

RCA Globcom Has Failed To Satisfy Other Criteria For The Issuance Of A Stay As Well

While RCA Globcom's failure to establish any (much less strong) likelihood of prevailing on the merits of its appeal is absolutely fatal to its Petition for Stay, ITT Worldcom would nontheless show, for completeness of the record, that RCA Globcom has also failed to satisfy other criteria necessary to the issuance of a Stay.

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[9] See Bell of Pennsylvania, id, where the Court of Appeals (3rd Circuit) determined that the existence of such "factual" issues did not trigger a requirement for an evidentiary hearing.

RCA Globcom has claimed that it will suffer irreparable injury if a stay is not granted. This claim is based on the prospect of its receiving a lesser proportion of unrouted traffic, at least initially, under the revised formula than it receives under the existing formula. While there is no denying that RCA Globcom will receive a lower percentage of unrouted traffic under the revised formula than it receives today, there exists a serious question as to whether this meets the irreparable injury test requisite to the issuance of a stay. As recognized in both Virginia Petroleum (Supra), and the Commission's recently decided Request For Stay Of Fee Schedule,[10] the mere occurence of some loss of revenue as a result of a stay not issuing does not, of itself, constitute irreparable injury. Indeed, in Fee Schedule the Commission suggested that such a loss must at least be significantly burdensome to the petitioner for there to be irreparable injury. It is hard to conclude that RCA Globcom's potential loss for the relatively short duration of its appeal can be considered significantly burdensome in the context of that carrier's overall revenues.

Moreover, the other side of the coin must be considered. ITT Worldcom and other carriers have for decades[11] been deprived of a fair, just, and reasonable share of unrouted traffic, by this unlawful formula.

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[10] 52 FCC 2d 224 (1975).

[11] ITT Worldcom's complaint against the existing formula was filed over ten years ago.

During that same time, RCA Globcom has enjoyed the largesse of a disproportionate share of that unrouted traffic, which, on a cumulative basis, far exceeds any potential loss which that carrier could suffer during the pendency of its appeal. Thus, while denial of a stay will not harm RCA Globcom, issuance of such a stay will further perpetuate the long-standing inequity of this formula against ITT Worldcom and other carriers in a similar position. Moreover, the potential revenue loss of ITT Worldcom from the issuance of a stay is just as real as RCA Globcom's potential loss from its denial. In these circumstances, and with the existing formula having been found clearly unlawful, ITT Worldcom submits that equitable considerations weigh heavily on the side of denial of the requested stay.

RCA Globcom has also argued that a stay would be in the public interest on the grounds that implementation of the interim formula would cause costly changes in carrier facilities and increased marketing and advertising costs, all of which would allegedly have to be ultimately bourne by the public. As to facilities costs, ITT Worldcom can state that, even with an expected increase in traffic from the revised formula, it does not expect any significant additions or changes to its physical plant to be required. And, it is simply inconceivable that RCA Globcom, which expects to lose traffic, will find any increased plant expenditures required. As to RCA Globcom's alleged substantial increase in advertising and marketing costs, we have already shown that such would not appear to be an economically prudent course. And, while we can only conjecture as to RCA Globcom's ultimate decision in this respect, we can state that ITT Worldcom does not anticipate any significant increase in its own marketing and advertising costs. Finally, it should be noted that, as an economic fact of life in a competitive environment, rates to the public for any service are always set at the level of the lowest priced competitor. ITT Worldcom certainly does not anticipate any increase in its overseas message rates as a result of implementation of the revised formula.

Conclusion

As ITT Worldcom has shown hereinbefore, RCA Globcom has shown no basis for its requested stay of the Commission's Formula Order. Far from showing a strong likelihood of prevailing on the merits of its appeal, RCA Globcom has not even shown a marginal likelihood of such success. The Commission's decision is sound, well reasoned, and clearly supported by the record. Nor has RCA Globcom shown irreparable injury from a denial of a stay. Indeed, when viewed in the context of the history of the existing formula, the injury to ITT Worldcom and other similarly situated carriers, which would result from the issuance of a stay, far out-weighs any injury to RCA Globcom from its denial. Finally, RCA Globcom had failed to show that a stay would further the public interest. Therefore, the Commission is respectfully requested to dismiss or deny, as appropriate, RCA Globcom's Petition to Stay.

Respectfully submitted

ITT World Communications Inc.

John A. Ligon

By: John A. Ligon
Its Attorney

Dated: February 23, 1976

CERTIFICATE OF SERVICE

I, Shawn Eames, hereby certify that on this 23rd day of February, 1976, I mailed a copy of the foregoing "Opposition to Petition to Stay" by United States Mail, postage prepaid, to the following persons:

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act	)	Docket No. 19660 RM-690

TO: THE COMMISSION

OPPOSITION TO PETITION FOR STAY

TRT Telecommunications Corporation (TRT) hereby submits its opposition to the Petition For Stay filed by RCA Global Communications, Inc. (RCA) on February 11, 1976, with respect to the Commission's Report and Order and Notice of Proposed Rulemaking, released January 7, 1976 ("the Decision"). In support hereof, TRT respectfully states as follows:

On January 7, 1976, after a very lengthy proceeding in which all interested parties were given the opportunity to present their views and to challenge the views of other parties, the Commission issued a well-reasoned and well-documented Decision in which it concluded "that the present method of distribution embodied in the international formula is unjust, unreasonable, inequitable and not in the public interest; and that the formula should therefore be replaced ..." (Decision, para. 3).

The Commission further held that:

> "... the record before us as well as elementary logic clearly warrants the conclusion that both the individual carriers and the public have been harmed by the formula's denying a carrier unrouted traffic. The carriers so affected have seen their marketing efforts

> essentially nullified by the balancing provisions -- ironically, the more successful those efforts have been, the more the carrier has been penalized. The formula's arbitrary disregard of the public's role has thwarted its expectations and may have resulted in an improper allocation of resources. Accordingly, we have concluded that those who have been injured are entitled to relief. (Emphasis added; Decision, para. 43).

RCA's Petition For Stay is a patent attempt on its part to delay relief to the public and the other carriers, to which the Commission has found they are entitled, in order that it may continue to enjoy the inequitable advantages accruing to it for an indefinite future period pending its appeal. Accordingly, we respectfully submit that RCA's petition should be denied.

RCA relies heavily on the fact that the formula revisions which are scheduled to become effective in March have been described as "interim". Thus, RCA argues that it is impractical to effectuate an "interim" formula while its appeal is pending. RCA's argument might have some plausibility if the Commission had contemplated that the "interim" formula would be operative only for a matter of a few months. However, on the contrary, it is clear that the Commission contemplates that the "interim" formula will govern the distribution of unrouted messages for a substantial period of time. Although the Commission believes that it should proceed in the direction of required customer routing of messages, it recognizes that it might not be practical to implement this proposal in the immediate future. In this regard, it noted in its Decision that at present a large number of customers either do not care to route their messages or are not familiar with the different international record carriers (IRC's) and that until there is greater awareness on the part of the public of the competitive alternatives available to them, substantial problems would be incurred in implementing required customer selection in place of a quota system. The Commission's Decision, therefore, contemplates that during the period in which the interim formula is operative the IRC's will make their solicitation efforts more effective in informing the public as to the alternative IRC routings. Obviously, the Commission does not contemplate that the IRC's will be able to make substantial inroads into the large unrouted message market in a matter of a few months. This is further illustrated by Paragraph V of the interim formula which calls for a recalculation of quotas every six months.

Although RCA cites Virginia Petroleum Jobbers Association v FPC, 259 F2d 291 (DC Cir. 1958) as setting forth the circumstances in which the issuance of a stay is warranted, it has completely failed to make the showing required by that case. In this regard, we submit that RCA's chances of success on appeal are, to say the least, extremely remote. RCA has not shown irreparable injury, but only that absent a stay it will no longer be able to continue its present inequitable preferred position under the formula. Moreover, a grant of a stay would be contrary to the public interest and would clearly and directly result in irreparable injury to TRT and other carriers which are unjustly denied unrouted traffic under the present inequitable formula.

Likelihood of Success on Appeal

RCA's burden on appeal is heavy indeed. It must persuade the Court to overrule a well-reasoned and well-documented

Decision of the Commission on a highly technical subject which is clearly within the Commission's expertise and authority. Moreover, the Commission's Decision in this case is clearly correct. Thus, for RCA to prevail on appeal, it must somehow persuade the Court that the Commission abused its discretion by finding:

- That the present formula provisions, which are structured to maintain the relative 1942 market shares of the carriers, are unreasonable under current circumstances;

- That the present formula, which results in the great preponderance of unrouted traffic being transferred to only two of the IRC's without relation to their share of routed traffic, is inequitable;

- That in the competitive international record carriage industry, the division of the market should be determined by customer choice and the competitive efforts of the carriers rather than by an arbitrary formula based on circumstances prevailing in 1942;

- That there was no need to conduct trial-type evidentiary hearings in a rule making proceeding such as this in which no material facts are in dispute.

The Court of Appeals should have little difficulty in sustaining the Commission's basic findings and conclusion in this case, and accordingly, there is very little likelihood that RCA could prevail on the merits of its appeal.

Irreparable Injury

RCA claims that it will sustain an annual revenue loss of approximately $428,000 for outbound traffic and an annual revenue loss of $1,600,000 for inbound traffic as a result of a redistribution of traffic under the revised formula. However, the Commission has found that such traffic which RCA will lose under the new formula had been inequitably transferred to it under the old formula and should accrue to other carriers. Moreover, a grant of the stay requested by RCA would result in the irreparable loss by other carriers, now inequitably disadvantaged under the present formula, of the traffic and revenues to which the Commission has found they are entitled.

RCA's other claims of irreparable injury, i.e., an unquantified loss because of the uncertainty of the duration of the interim formula and additional marketing expenses, also should not be given any credence by the Commission. RCA does not specify what revisions in its operations and the operations of other carriers will be necessary under the interim formula. In this regard, we submit that no changes by the IRC's and only minor operating changes by Western Union would be necessary to accommodate the formula revisions prescribed by the Commission. Moreover, as discussed above, there is little question that the Commission's Decision will be sustained by the Court of Appeals and that the interim formula will remain in effect for a substantial period.

RCA did not set forth the basis of its estimate that its marketing expenses will be increased by $342,600 a year under the new formula. In any event, RCA is under no compulsion by the Commission to spend any additional amounts for marketing. In this regard, TRT does not intend to increase its marketing budget as a result of the Commission's Decision. Rather, it will redirect its marketing efforts to place greater emphasis on the solicitation of public message traffic.

Effect on the Public Interest

Although the harmful effects on the public of a continuation of the present inequitable formula are difficult to quantify, they are, nevertheless, quite real and substantial. In this regard, the Commission held:

> "In this connection, however, we wish to note that we are not concerned here whether or not a party can quantify negative impact of the formula. ITT did not claim that the formula has led to an impairment of service quality. At most, it argued that the disincentive discouraged improvements in quality. This is precisely what concerns us about the present pattern of distribution. We cannot ignore the possibility that quality of service could have been improved absent the inequities of the formula. In any event, by placing distribution of traffic on a rational and competitive basis, we can minimize this danger and maximize the possibility of future benefits. For this reason, we believe the distortions in distribution patterns in the present formula are injurious to the public interest and should be eliminated." (Decision, para. 24).

As the Commission found, although the drafters of the present formula contemplated that unrouted traffic to practically all overseas destinations would be divided among several carriers, because of internal inconsistencies, the formula soon became so imbalanced that to most destinations one carrier received all unrouted traffic. In recent years Western Union has taken advantage of this imbalanced situation and programmed its Middletown computer switch to recognize these "exclusive" routes by automatically switching all traffic destined to such "exclusive" areas to the appropriate carrier without transversing its quota routing center at Minneapolis. Out of the 59,000 unrouted international cablegrams Western Union now receives each week, 26,000 are destined to "exclusive" areas and automatically routed by its Middletown computer. The remaining 33,000 messages are sent to Minneapolis where they are tallied and switched. Since the imbalances which resulted in "exclusive" routes have been removed under the revised formula, Western Union initially will no longer be able to automatically switch a portion of the unrouted messages received by it. Rather, all unrouted messages will have to be tallied and routed in Minneapolis. Western Union has estimated that its incremental cost of processing the additional 26,000 messages a week in Minneapolis will be approximately $150,000 per year. It also estimates that the processing in Minneapolis delays the transfer of messages to IRC's by approximately 20 minutes.

RCA argues that the additional cost and delay required by Minneapolis processing would be harmful to the public. In this regard, we will agree that cost and delays should be eliminated to the extent feasible and we have no doubt that Western Union and the IRC's will work to eliminate any unnecessary costs and delays. However, the very requirement of a distribution formula interjects a complicating factor in the message handling process which is bound to result in some additional cost and delays. If the elimination of handling costs and delays were the only criterion to be considered, the most efficient formula would be one under which all traffic, both routed and unrouted, were transferred to only one carrier. However, other factors, such as equity among carriers, deference to customer choice and competitive incentives, must also be considered.

The additional costs and delays under the interim formula, we submit, are de minimis in the total context of the administration of an equitable formula in the public interest. One hundred and fifty thousand dollars per year represents only approximately five cents for each of the approximately 3,000,000 unrouted messages handled by Western Union annually and quite clearly will not affect the charges paid by the public for this service. A 20 minute delay is also inconsequential in the total context of public message handling and is no more than the delay now being incurred with respect to the majority of unrouted messages which already must transverse Western Union's Minneapolis routing center.

Moreover, it should be recognized that the implementation of the interim formula will encourage the IRC's to improve their efforts in soliciting routings from customers which now file unrouted traffic with Western Union. As unrouted traffic as a percentage of total traffic declines, the costs and delays inherent i the administration of any equitable formula will be reduced. Thus, in the longer run, delays and costs will be reduced by the prompt implementation of the interim formula, rather than by the retention of present inequitable and obsolete formula provisions.

Substantial Harm to Others

A grant of a stay would most clearly result in direct, substantial and irreparable harm to TRT and other carriers which are denied an equitable share of unrouted traffic under the existing formula. TRT estimates that a grant of a stay would deny it $250,000 in net retained revenues annually with respect to the loss of outbound international traffic alone. RCA cannot minimize the clear irreparable losses of the other carriers merely by stating that the other carriers have existed under the present inequitable formula for 30 years. It is, of course, true that TRT could survive the continuance of the present formula, just as the implementation of the newly prescribed formula would clearly not threaten RCA's continued operation. However, the Commission after a lengthy proceeding on the basis of a complete record now has found that the present formula is unjust, unreasonable, inequitable and not in the public interest and has prescribed a new formula to correct the infirmities and inequities which it has found to exist. Surely, RCA should no longer be permitted to retain its unjustly preferred position at the expense of the other carriers.

Significantly, RCA has not suggested any procedures, such as an accounting order, to protect the rights of the other carriers if it should be unsuccessful on appeal. Rather, it seeks an unconditional stay which would compeltely deny the rights of TRT and other parties to this proceeding. The position taken b RCA is no doubt a result of its understandable lack of confidence in its chances for success on appeal.

WHEREFORE, TRT respectfully submits that RCA's Petition For Stay should be denied.

Respectfully submitted,

TRT TELECOMMUNICATIONS CORPORATION

BY: Roderick A Mette

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February 23, 1976

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Cynthia A. Martell
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February 23, 1976

Before the
Federal Communications Commission
Washington, D. C. 20554

In the Matter of)
)
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed Under Section 222 of the Communications Act.) Docket No. 19660) RM-690)))

TO: The Commission

Partial Opposition

RCA Global Communications, Inc. (RCA Globcom) hereby opposes in part the "Petition for Reconsideration" filed by Western Union International, Inc. (WUI) on February 11, 1976. In its petition, WUI requests the Commission to take the following actions:

1. Revise the interim formula prescribed by the Commission in its Report and Order and Notice of Proposed Rulemaking (Order) released January 7, 1976 so that all unrouted international telegrams would be distributed

to the international carriers in proportion to only that routed traffic originating outside of the existing gateways;

2. Postpone the effective date of the interim formula until January 1, 1977 so as to permit an orderly, efficient and economical implementation of that formula, and

3. Clarify the definition of routed traffic in the Order so as to make clear that direct access traffic originating with the gateway customers of The Western Union Telegraph Company (Western Union) is counted as routed traffic for the purposes of the interim formula.

RCA Glŏbcom will show that the change requested by WUI in item 1 above is antithetical to the increased competition which the Commission has sought to encourage with the interim formula,* is based on a claim of disadvantage which has not been proved or shown to be significantly different than suffered by other carriers, and in total constitutes only an attempt to secure for itself the most privately beneficial formula possible. With respect to item 2 above, if RCA Glŏbcom's petition for stay referenced below is denied, we would support the WUI petition inasmuch as it recognizes that the immediate effects of the change in the formula proposed by the Commission will be especially acute and that equity among the carriers demands that the new formula be phased in. RCA Glŏbcom likewise supports the clarification requested by WUI in item 3.

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*RCA Glŏbcom, of course, disagrees with the validity of the Commission's determinations on the present and interim formulas.

Background

On January 7, 1976, the Commission released its Order purporting to find unlawful the existing international formula governing the distribution of unrouted international telegrams. In its place, the Commission prescribed an interim formula which would give to an international carrier unrouted traffic in proportion to traffic routed via it whether the traffic originated on the Western Union system or the carrier's own system. The touchstone of the Commission's Order in at least prescribing the interim formula was that it would foster maximum competitive efforts among the international carriers for all telegram traffic within the United States.

RCA Globcom filed a petition for stay pending judicial review with the Commission on February 11, 1976 asserting that the Order fails to satisfy the statutory requirements of the Communications Act and fails to support either the finding that the existing formula is unlawful or that the new formula should be prescribed. It also demonstrated that all of the conditions required before a stay would be granted had been met and that, accordingly, the effective date of the interim formula should be postponed until the completion of the judicial review. Thereafter, on February 13, 1976, RCA Globcom petitioned the United States Court of Appeals for the Second Circuit for review of the Order.

WUI's Proposed Exclusion Of International Carrier Originated Telegrams From The Definition Of Routed Traffic Should Be Rejected

The thrust of the WUI argument is that the Commission's decision on the international formula "failed to give appropriate recognition to the fact that the IRCs compete in two essentially different markets": (a) the gateway market where the international carriers can serve customers directly, and (b) the hinterland market where most customers originate their international telegrams with The Western Union Telegraph Company (Western Union). WUI further states that these two markets are distinctly different both geographically and conceptually.

RCA Globcom submits that the WUI is attempting to create distinctions which have no place under the Commission's rationale used in prescribing the interim formula. In its decision, the Commission stated:

> We believe that the volumes (of unrouted traffic distributed) should be based on all routed traffic, wherever originating in the United States. This includes direct pickups, direct access, and routed WU transfers. This is the most likely way to achieve the goal of distributing unrouted traffic on the same basis as routed. Direct pickups are by definition specifically routed and represent a significant portion of overall traffic. Therefore, to ignore such traffic would be unrealistic and contrary to our overall policy herein. Paragraph 51.

The overall policy the Commission refers to is one which seeks to encourage the expansion of the carriers' solicitation efforts for all international traffic and thereby, supposedly, to increase competition among the carriers. The Commission directive in this respect was totally unrestricted and it appears clear that they envision these increased competitive efforts to take place not only in the hinterland but also the gateway cities. Since the obvious intention, although we submit based on fallacious assumptions and without regard to the public interest, is to divide the unrouted traffic so as to give benefits to the "most successful competitor", it would be untenable to arbitrarily divide the total market in which the carriers would be competing.

WUI goes on to argue that the inclusion of direct pickup traffic in the base for distribution of the unrouted telegram pool would result in a significant and unjustified prejudice to it. It explains that since the creation of WUI, it has had the right under the formula to treat all traffic filed with Western Union in Manhattan south of 60th Street, and not otherwise routed, as being routed via WUI. It further says that since the 1963 divestment there has been a drastic erosion of the traffic received as a result of this formula provision because of the closure of many Western Union public telegraph offices, the retermination of tielines that were used exclusively for telegram origination, and the removal of Western Union's telephone acceptance bureau to New Jersey.

The claim of prejudice to WUI is difficult to accept and even more difficult to accord any weight to since the change in the formula will have the most severe financial impact on RCA Globcom. We have as much right to claim that prejudice exists and that certainly the adverse economic impact should not be exacerbated. If WUI is prejudiced in any way now, it was of its own choosing. Since 1963, WUI has reaped a bonanza of "unrouted" telegrams as a result of the special provision in the formula. For that entire period, it did not have to support a costly public telegraph branch office system. In essence, for no effort, it received large quantities of traffic. It now complains, however, that the benefits from this special arrangement are less than in the past. WUI presents no traffic figures to support this contention and the few facts submitted are open to question. Thus, it states that the number of Western Union branch offices has shrunk from 85 to only 3. RCA Globcom has never had more than 20 branch offices in New York City. Recently, RCA Globcom had operated only 10 branch offices and had requested the Commission for authority to close all but 4 of these offices.*

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*The Commission granted the RCA Globcom office closure application in part and required that one additional office remain open. It should be noted, however, that one of the 5 offices now operating is located at the United Nations and is provided more as a diplomatic courtesy than for the purpose of generating significant traffic volumes.

Likewise, RCA Globcom has no tielines dedicated to telegram use in New York City. Finally, with respect to the move of Western Union's telephone bureau, we are unclear as to the volumes of messages involved or that such a move affects WUI's rights under the formula.

WUI appears to contend that this competitive disadvantage will disappear after September 30, 1976 since after that date it is free supposedly to open its own offices in New York City for the acceptance and delivery of international telegrams. It should only be noted that the Commission has already determined that WUI is under no legal disability, either under the formula or its contract with Western Union, with respect to opening its own offices. If it feels disadvantaged, it should immediately open such offices in the event the interim formula becomes effective.

The Interim Formula Should Be Phased In If A Stay Is Not Issued

If RCA Globcom's petition for stay is not granted, it would support the proposal that the interim formula should be phased in rather than making the change in such an abrupt manner as to cause severe economic harm to the affected carriers.* As noted, RCA Globcom will sustain an annual loss of approximately 412,000 United States originated telegrams equating to approximately $428,000. In addition, some 530,000 telegrams of foreign origin would also be lost causing an annual inbound revenue loss of $1,600,000. This traffic and revenue would be lost irretrievably and could not be recovered at some later time. It should also be recognized that RCA Globcom will not be able to immediately effectuate any substantial cost reductions to offset the revenue losses as all of the plant necessary to handle the traffic originating on the Western Union network is already in place.

We also agree with WUI that a postponement of the effective date of the interim formula would be justified on the basis that it would allow Western Union to computerize the distribution of unrouted traffic reducing substantially the annual recurring costs which are to be paid by the international carriers. Waiting until that time would also insure that the quality of service provided by Western Union would not deteriorate as is acknowledged if the distribution must be done manually at Minneapolis.

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*The continuation of such support is, of course, dependent upon the outcome of the judicial proceeding RCA Globcom has instituted to determine the validity of the Commission's formula decision.

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*The continuation of such support is, of course, dependent upon the outcome of the judicial proceeding RCA Globcom has instituted to determine the validity of the Commission's formula decision.

Conclusion

In view of the above, RCA Globcom requests the Commission to deny WUI's Petition for Reconsideration insofar as it requests a revision in the interim formula excluding routed traffic originating in the gateways from the base used for distributing the total unrouted traffic.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

s/ Francis J. DeRosa

s/ Carl J. Cangelosi

Its Attorneys
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February 26, 1976

CERTIFICATE OF SERVICE

I, Mary S. Ruedi, hereby certify that on this 26th day of February, 1976, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

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Before the
FEDERAL COMMUNICATIONS COMMISSION
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757

In the Matter of International Record Carriers' Scope of Operating in the Continental United States, Including Possible Revision to the Formula Prescribed under Section 222 of the Communications Act.	)	Docket No. 19660 RM-690

To: The Commission

OPPOSITION TO PETITION FOR RECONSIDERATION

ITT World Communications Inc. (ITT Worldcom) hereby opposes the petition of Western Union International, Inc. (WUI) seeking reconsideration of the Commission's order prescribing a revised International Formula (Formula Order). 1/ Since WUI's petition fails to establish any error in the Commission's decision, it should be denied. WUI seeks to have the Formula Order revised in three major respects: (1) exclusion of IRC gateway pickups from the routed traffic totals used for distributing unrouted traffic; (2) postponement of the effective date of the revised Formula to January 1, 1977; and (3) clarification of the revised Formula so as to confirm that the Commission's existing regulations with respect

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1/ Report and Order and Notice of Proposed Rulemaking, released January 7, 1976, Docket No. 19660, FCC 75 - 1430.

to overseas messages filed directly with an IRC by a Western Union Telegraph Co. (Western Union) subscriber locate in an IRC gateway are continued. The obvious purpose of the suggestions, which are separately discussed below, is to make the revised Formula more favorable to WUI's interests. Since the touch-stone of the Commission's Formula Order is the public interest, as distinguished from WUI's corporate interest, they should be denied.

WUI Has Provided No Basis For Amendment Of The Routed Base Of The Revised Formula

In its petition, WUI urges that the revised formula be amended so as to change the routed traffic base--on which unrouted traffic will be distributed proportionately--by eliminating from that base traffic picked up directly by the IRCs in their gateway cities. Stated differently, under WUI's proposal, unrouted outbound overseas message traffic would be distributed to the IRCs in direct proportion to the routed traffic received from hinterland users. The reason for WUI's requested change is readily apparent from the statistics in Table 2 of the Formula Order (p. 13). WUI enjoys a substantially higher proportion of hinterland routed traffic than the proportion it receives either from gateway pickups or on an overall basis. And, WUI's request represents littlemore than a blatant effort to manipulate the revised formula so as to achieve a distribution most favorable to it.[2]

WUI's attempts to justify this parochial position are completely without merit. Its strained arguments as to differences between gateway pickups and hinterland routed traffic, based on the marketing postures or strategies of the IRCs or on alleged conceptual and/or geographic distinctions, are so transparent that rebuttal appears unnecessary. Similarly, WUI's claim of lack of notice is without foundation. Both ITT Worldcom and TRT Telecommunications Corporation (TRT) have, from the outset of this proceeding, advocated a revised unrouted traffic distribution in proportion to each carrier's share of routed traffic. And, while the focus of the comments filed herein may have been on using Western Union routed transfers as a basis for proportionate distribution of unrouted traffic, it is disingenuous of WUI to maintain that it did not consider the possibility of a revised formula based on proportional distribution and using all IRC routed traffic as a base. Moreover, to place WUI's argument in proper perspective, its comments throughout this proceeding have not concerned themselves with _any_ detailed proposal for revising the existing Formula. Rather WUI's comments have consisted largely of paeans of praise for the existing Formula and predictable arguments against any change. In fact, it is noteworthy that the existing formula, which WUI has praised so highly, does include gateway pickups in WUI's quotas.

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[2] Note also that WUI wishes to separate paid direct access traffic from other gateway pickups, placing it in the hinterland routed category, suggesting that WUI believes that it enjoys a higher proportion of this category of traffic as well.

Finally, the Commission specifically directed all of the IRCs, including WUI, to provide, for the record in this proceeding, statistics on their respective gateway pickups. In the context of this overall proceeding it is inconceivable that WUI would not have been aware that this traffic might be included in a traffic base for a revised Formula based on the proportional distribution of unrouted to routed traffic.

Even WUI's substantive argument for eliminating gateway pickups from the routed traffic base will not withstand serious scrutiny. WUI has argued that it operates at a competitive handicap in the gateways because of its exclusive arrangement with Western Union for the use of only the Western Union gateway public offices. It is hard to take seriously WUI's claim of competitive disadvantage from its special relationship with Western Union since it gets all unrouted traffic filed in those Western Union gateway offices; and this traffic is, by its nature, the occasional, probably unsophisticated user who is generally unaware that there are competing international record carriers.

WUI's plaint that Western Union has substantially reduced its number of gateway public offices resulting in a "drastic erosion" of traffic filed through those offices also has a hollow ring. The reduction in

Western Union's New York City public offices was the result of a "consolidation" of a number of previously existing offices into new offices providing much broader service coverage than in the former individual offices, and this "consolidation" was approved by the Commission as serving the public interest.[3/] Moreover, ITT Worldcom. and RCA Global Communications, Inc. (RCA Globcom) have undertaken similar consolidations of their own gateway public offices. And, a shrinking volume of traffic at public offices is certainly not unique to Western Union. This is a phenomena which has affected all carriers with the continuing advances in the ease of filing messages from remote locations by various electronic means.

The WUI argument of a gateway disadvantage also suffers from a serious conceptual fallacy. The gateway public offices, to which WUI ascribes a competitive "disadvantage" account for only a very small fraction of that carrier's, or of any carrier's, total gateway pickups. Based on the summaries of the 13-week Western Union traffic study prepared by the International Quota Bureau (IQB), the total number of unrouted messages filed through Western Union's public offices (and thus, considered directly filed with WUI) during that period was 8,098. Looking at Table 1 of the Formula Order (p. 12), it can be seen that the total "Direct Pickups" reported by WUI for the period comparable to the Western Union study was 276,554. Thus, the WUI public office pickups,

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[3/] See The Western Union Telegraph Co., Consolidation of 22 Public Telegraph Offices, 37 F.C.C. 2d 813 (1972).

which account for only about 3 percent of that carrier's total gateway pickups, are completely over-whelmed by traffic from other modes of direct pickups, particularly traffic filed by WUI's own subscriber tielines. It should be noted that this minimal percentage of over-the-counter traffic as compared to overall gateway pickups is also consistent with ITT Worldcom's gateway traffic pickup experiences. 4/

Indeed, if WUI really believed that it could significantly improve its share of gateway filed traffic by opening its own gateway offices, it would certainly have petitioned the Commission for relief from the "onerous" provision of the existing Formula. The alleged impediment of WUI's "agreement" with Western Union, which apparently did nothing more than formalize the terms of the Formula, in reality constitutes no such bar. The Commission has already determined that the continuance of this "agreement" would be contrary to the public interest. (Formula Order, para. 38, 39, 41).

4/ Although the statistics accompanying ITT Worldcom's Supplemental Comments in this matter showed a relatively large percentage for Message Pickup, a very substantial proportion of those pickups (approximately 80%) would not be comparable to over-the-counter operations in the context used herein. They were instead batch pickups on a regular basis by ITT Worldcom messengers from banks and other financial institutions. If WUI receives this type traffic it certainly would send its own messengers to make the pickups rather than relying on Western Union to perform this function.

In fact, however, as the record herein will show, WUI has never made any suggestion that it be relieved of this "burden". In its "Reply" comments (dated August 16, 1974) WUI defended its use of the Western Union offices; in its "Supplemental" comments (dated August 1, 1975) WUI offered to give up its use of those Western Union gateway offices as a concession to the acceptance by other parties and the Commission of a compromise proposal by WUI for concluding the Formula proceeding; and, finally, in its Petition for Reconsideration here, needing a scape-goat to rationalize lower than desired proportions of gateway filed traffic, WUI offered up the exclusive Western Union public office arrangement as the alleged culprit.

From the foregoing, it should be clear that WUI suffers no competitive handicap from its arrangement with Western Union for gateway public office pickups. The relatively sharp differential between WUI's proportionate share of hinterland routed traffic and gateway pickups, an anomaly unique to that carrier, should more realistically be recognized as an undue advantage enjoyed by WUI for hinterland routed traffic. Indeed, these statistics largely confirm ITT Worldcom's long held thesis that the name similarity between WUI and Western Union is confusing to the occasional user, with the result that some traffic which would have otherwise been filed unrouted is actually marked by the sender for routing via WUI. And, while the Commission may be unable to eliminate the competitive advantage derived by WUI from this name similarity, it certainly should not acerbate this advantage by removing from the formula data base other traffic which tends to moderate the effect of that bias.

In the final analysis, ITT Worldcom submits that the Commission's choice of all routed traffic for the formula data base was eminently sound and logical; that the inclusion of gateway pickups in the data base increases the size of that data base more than five-fold, which, of itself, will tend to eliminate the effects of any anomalies in the distribution; and that WUI has not made any credible showing of prejudice to it from the use of an all routed traffic data base.

WUI's Plea For a Deferral Of The Formula Effective Date Is Completely Lacking In Merit

The argument of WUI for a deferral of the effective date of the revised formula is nothing more than a plea that it be permitted to enjoy the benefits (to WUI) of the existing Formula for just a little bit longer. ITT Worldcom has waited more than eleven years for the Commission to act on its complaint respecting the existing Formula. And, while it can appreciate WUI's desire to delay the "moment of truth" as long as possible, ITT Worldcom submits that, having found the existing Formula to be unlawful, it is incumbent upon the Commission to implement its decision prescribing a revised Formula as quickly as possible.

WUI has shown no reason why the revised Formula cannot be implemented pursuant to the Commission's timetable. With the short extension to March 21, requested by Western Union and agreed to by all parties, Western Union represents that it will be prepared to begin distribution of unrouted traffic pursuant to the revised Formula. At a meeting of the International Formula Committee (IFC) on February 18, 1976, agreement was reached as to all significant administrative details relative to the formulation of specific quotas by the IQB.

The argument of WUI that implementation of the new Formula will cause "disruptions" in the international record industry is specious. ITT Worldcom will not require any significan change in its facilities or procedures to handle an anticipated increase in message traffic under the revised Formula. It is inconceivable that WUI, which expects to lose traffic, will have any requirement for changed facilities. But even if some adjustments were found necessary, WUI has been on notice for over ten years that a revision in the international Formula, at least generally along the lines of the revisions prescribed by the Commission, would be forthcoming. To now argue surprise and the need for an additional nine months to get ready for those revisions stretches credulity to the breaking point.

WUI's argument that deferral of the effective date would permit Western Union to program the Formula into its computer and thereby avoid nine months of charges for a manual distribution of the Formula traffic is similarly lacking in merit. In the first place Western Union has not yet determined either the time required or the costs involved in automating the distribution under the revised Formula. It may well be that upon obtaining this information, the costs or required time interval may make such an effort unwise for the duration of this interim Formula. Indeed, Western Union itself has suggested going forward on a manual basis while it studies further the possibility of a computerized distribution. With respect to the costs for the manual distribution, ITT Worldcom must point out that they are only Western Union estimates, subject to review and analysis as to reasonableness by both the IRCs and the Commission. The estimated "start-up" costs for performing the manual distribution are a relatively nominal $12,000, and the Commission has provided for an equitable allocation of those costs among the participating IRCs.

WUI's allegations as to competitive disadvantage in the gateway cities due to its alleged in ability to open its own gateway public office, at least prior to October 1. 1976 , has been addressed in the previous section herein, and, as well, by the Commission in the Formula Order.

ITT Worldcom also suggests that the Commission cannot, consistent with its statutory duty under Section 222 of the Communications Act, defer the effective date of the revised Formula. It has found the existing Formula unlawful and Section 222 therefore requires that it prescribe a lawful Formula. There having been no meritorious reasons shown for any substantial deferral of the effectiveness of the revised Formula, we submit that the Commission is obligated to promptly terminate use of the existing unlawful Formula, and thus, to require the prompt implementation of the revised Formula.

Finally, ITT Worldcom would point out that this request is fundamentally a motion for a stay of the Commission's Formula Order. Therefore, the Commission is required to deny the request, pursuant to Section 1.44(e) of the Commission's Rules and Regulations because it was not filed as a separate pleading as required by that rule.

In sum, ITT Worldcom submits that WUI's self-interest in preserving its existing disproportionate share of unrouted message traffic for some further period of time clearly does not constitute good cause for the deferral which it seeks here. The Commission should therefore deny this WUI request.

With respect to WUI's request for clarification of the Formula Order, as not effecting any change in the established practice for gateway "direct access" filings, ITT Worldcom submits that no such clarification is required. The practice of absorption by the IRCs of the transmission costs of Western Union subscribers located in the gateways who directly file message traffic with the IRCs has existed for a very long time and is incorporated in the tariffs of the IRCs. The Formula Order did not in any way address this practice. Therefore, it would be completely unreasonable to construe the revised Formula prescribed by that order as requiring any change in this long standing practice.

Therefore, for the reasons set forth hereinbefore, ITT Worldcom respectfully requests that the Commission deny the WUI Petition for Reconsideration of the Formula Order.

Respectfully submitted,

ITT World Communications Inc.

By: Joseph J. Jacobs /JK

Joseph J. Jacobs

John A. Ligon

John A. Ligon

Its Attorneys
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Dated: February 27, 1976

CERTIFICATE OF SERVICE

I, Shawn Eames, hereby certify that on this 27th day of February, 1976, I effected service of a copy of the foregoing "Opposition to Petition for Reconsideration on the following persons:

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Shawn Eames
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Before the
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Washington, D.C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act	Docket No. 19660 RM-690

TO: THE COMMISSION

TRT TELECOMMUNICATIONS CORPORATION'S OPPOSITION TO PETITION FOR RECONSIDERATION

TRT Telecommunications Corporation (TRT) hereby submits its opposition to the Petition for Reconsideration filed by Western Union International, Inc. (WUI) on February 11, 1976 with respect to the Commission's Report and Order and Notice of Proposed Rulemaking (Decision), released January 7, 1976. In support hereof, TRT respectfully states as follows:

WUI requests the Commission to modify its Decision in three respects:

1. It requests that traffic picked up directly by international record carriers (IRC's) in their gateway cities be excluded from the "routed" traffic base that under the new formula prescribed by the Commission determines the proportion of unrouted traffic to be received by each IRC.
2. It requests the Commission to defer the implementation of the new formula for an additional 10 months until January 1, 1977.
3. It requests the Commission to modify Paragraph IV(b) of the new formula to clarify that the IRC's may absorb domestic Telex and TWX charges of customers located in the gateway cities which use those services to file international telegraph messages directly with the IRC's.

Use of Gateway Pickup Traffic

WUI contends that all traffic filed directly with the IRC's originated by customers in the gateway cities should be excluded from the formula base. It claims that this traffic should be excluded because it is not traffic handled by The Western Union Telegraph Company (Western Union) and should not affect a formula relating to the distribution of traffic filed with Western Union. Thus, it argues "Clearly WUTelCo can only distribute traffic which it has received from its own customers, and Section 222(e) relates to this traffic, not the traffic filed directly with the IRC's in their gateway offices" (WUI Petition, p. 3). However, WUI illogically contends that traffic which is directly filed with the IRC's by "hinterland" customers located outside of the gateway cities should be included in the "routed" base (WUI Petition, p. 8), although this traffic also is not handled or transferred by Western Union.

WUI claims that the "hinterland/WUTelCo market" and the "gateway/IRC market" are essentially different. However, we submit that the IRC's compete for message traffic on a nationwide basis both in the gateways and in the hinterland. In both the gateways and the hinterland the customer may choose to file his message with Western Union or directly with one of the IRC's. In both the hinterland and the gateways the customer has the option to route his message to a designated IRC or to file it unrouted.

We, of course, are very cognizant of the fact that all the IRC's are now not accorded an equal opportunity to compete for direct file traffic because of the present unequal gateway authorizations of the various carriers. However, this inequitable situation will soon be remedied pursuant to the Commission's recent statement of policy in Docket No. 19660. Thus, although TRT previously argued in this proceeding that because of the inequitable gateway structure, all gateway traffic should be excluded from the formula base, with the present prospect of equal gateway authority, TRT is convinced that it can compete successfully and fairly with the other carriers on a nationwide basis. In this regard, it does not seek the aid of a gerrymandered formula, such as that sought by WUI.

WUI's argument that it was denied adequate notice that gateway direct file traffic might be included in the traffic distribution base under a revised formula to be prescribed by the Commission is quite clearly without merit. WUI was on notice from the inception of this long proceeding that the Commission was considering the revision of the international formula. Surely, the Commission was not required to adopt the proposals of any of the parties in toto.

The basis for the Commission's inclusion of direct file traffic in the formula routed base is adequately explained in its extensive and well-reasoned decision. It is beyond contradiction that direct pickups, as the Commission pointed out, "are by definition specifically routed" and are indicative of the customer's selection among the competing carriers.

WUI's argument that it will be prejudiced under the new prescribed formula is equally without merit. At most WUI has shown that, because of changes in Western Union's domestic operations, it does not benefit as greatly as it once did from the preferential treatment accorded to it with respect to gateway city traffic. Although WUI complains that there are now only three WUI-designated Western Union offices in New York City, this is, of course, three offices more than TRT has in this very major traffic center. Moreover, WUI neglects to mention that it operates its own telephone acceptance bureau and has its own extensive tieline network in that city. Thus, WUI already has facilities of its own for the acceptance of message traffic which are substantially equivalent to the other New York-based IRC's. In this regard, it should be recognized that only a very small percentage of direct file traffic is filed over-the-counter at public offices.

Deferment of the New Formula

The Commission has held that:

> "... the record before us as well as elementary logic clearly warrants the conclusion that both the individual carriers and the public have been harmed by the formula's denying a carrier unrouted traffic. The carriers so affected have seen their marketing efforts essentially nullified by the balancing provisions -- ironically, the more successful those efforts have been, the more the carrier has been penalized. The formula's arbitrary disregard of the public's role has thwarted its expectations and may have resulted in an improper allocation of resources. Accordingly, we have concluded that those who have been injured are entitled to relief. (Emphasis added; Decision, para. 43).

WUI requests the Commission to deny the relief to the public and the other carriers to which it has found they are entitled for an additional ten months.

WUI argues that justice should be denied for an additional ten months because of need for the IRC's and Western Union to effect operating changes and because WUI and others which have inequitably benefited under the old formula have relied on a continuation of their unjust benefits in making financial projections. WUI does not specify any operational changes which will be required of the IRC's under the new formula. We submit that no significant changes by the IRC's will be necessary to accommodate the formula revisions prescribed by the Commission. Although Western Union initially will be required to expand its Minneapolis quota center, Western Union states that all required changes in its operations will be completed by March 21, 1976, at which time it will be prepared to efficiently accommodate traffic under the revised formula. Since Western Union has been on notice of the formula revisions since December 22, 1975, we submit, there is no basis for WUI's characterization of Western Union's preparation for traffic under the revised formula as "hasty". Moreover, there is no basis to question Western Union's assurances that it will be able to implement adequately the new formula on March 21, 1976

In the light of the pendency of this proceeding, we strongly doubt that WUI has substantially relied on a continued receipt of a disproportionate share of unrouted traffic in its financial projections. However, if it did, this would only be a basis for questioning the prudence of WUI's management. Any unreasonable expectations which WUI may have had on this score are surely no basis to permit it to continue to enjoy its unjust formula preferences for an additional ten months.

Gateway Direct Access

WUI's final complaint with the Commission's Decision, relating to a clarification of Paragraph IV(b) of the revised formula, is in the nature of a nit-pick. Although we believe that the present language of Paragraph IV(b), especially when read in the conjunction with Paragraph IV(a), is sufficiently clear that the requirement of the customer to pay all domestic communication charges is only applicable with respect to hinterland originated direct file traffic, we agree that clarifying language such as suggested by WUI would be beneficial. There is, of course, no reason to postpone implementation of the new formula pending such minor editorial revisions in its langugage.

Conclusion

As the Commission is aware, ITT's complaint and petition seeking revision of the formula, which initiated this proceeding, was filed more than ten years ago. After lengthy proceedings, in which all interested parties were given the opportunity to present their views and to challenge the views of other parties, the Commission issued a well-reasoned and well-documented Decision in which it concluded "that the present method of distribution embodied in the international formula is unjust, unreasonable, inequitable and not in the public interest, and that the formula should therefore be replaced ..." (Order, para. 3). In this regard, the Commission has formulated and prescribed an interim formula which corrects the major inequities and infirmities which are inherent in the present formula.

Accordingly, we submit that relief has already been delayed too long to the public and the carriers which are unjustly denied unrouted traffic under the present formula, and that the interim formula should be promptly implemented.

WHEREFORE, WUI's Petition For Reconsideration should be denied.

Respectfully submitted,

TRT TELECOMMUNICATIONS CORPORATION

BY: Roderick A. Mette

Roderick A. Mette
Vice President & Counsel

1747 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

February 27, 1976

CERTIFICATE OF SERVICE

I, Cynthia A. Martell, do hereby certify that a copy of the foregoing has been sent this 27th day of February, 1976 to the following by United States mail, postage prepaid:

oseph J. Jacobs, Esq.
TT World Communications Inc.
7 Broad Street
ew York, N.Y. 10004

arl J. Cangelosi, Esq.
CA Global Communications, Inc.
0 Broad Street
ew York, N.Y. 10004

oger Newell, Esq.
estern Union International, Inc.
ne WUI Plaza
ew York, N.Y. 10004 (By Telecopier also)

eon Kestenbaum, Esq.
he Western Union Telegraph Co.
828 L Street, N.W. Suite 1001
ashington, D.C. 20036 (By Hand)

r. J. A. Berenger
he French Telegraph Cable Co.
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Verner, Llipfert, Bernhart,
McPherson & Alexander
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Cynthia A. Martell
Cynthia A. Martell

IN THE UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

- x

RCA GLOBAL COMMUNICATIONS, INC., :

Petitioner, :

-against- : Docket No. 76-4054

FEDERAL COMMUNICATIONS COMMISSION :
and UNITED STATES OF AMERICA,

: MOTION FOR ADJOURNMENT

Respondents,

:

and :

ITT WORLD COMMUNICATIONS INC. and
THE TELECOMMUNICATIONS CORPORATION, :

Intervenors. :

- x

Upon the annexed affidavit of H. Richard Schumacher, verified on March 4, 1976, and all the prior proceedings had herein, the undersigned move this Court for the entry of an order, in the form annexed, adjourning the return date of Petitioner RCA Global Communications, Inc.'s motion for a stay, now returnable on March 9, 1976 and annulling the civil appeals scheduling order issued in this Docket under date of February 24, 1976.

New York, New York
March 4, 1976

CAHILL GORDON & REINDEL

By________________________
H. Richard Schumacher
A Member of the Firm
Attorney for Petitioner
RCA Global Communications, Inc.

ASHTON HARDY
General Counsel, Federal Communi-
cations Commission

By ________________________________
Jack Smith, Attorney
Attorney for Respondent
Federal Communications Commission

IN THE UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

- x

RCA GLOBAL COMMUNICATIONS, INC., :

Petitioner, :

-against- : Docket No. 76-4054

FEDERAL COMMUNICATIONS COMMISSION : **AFFIDAVIT**
and UNITED STATES OF AMERICA,
:
Respondents,
:
and
:
ITT WORLD COMMUNICATIONS INC. and
TRT TELECOMMUNICATIONS CORPORATION, :

Intervenors. :

- x

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

H. RICHARD SCHUMACHER, being duly sworn, deposes and says:

1. I am a member of Cahill Gordon & Reindel, attorneys for Petitioner RCA GLOBAL COMMUNICATIONS, INC. ("RCA Globcom") and am familiar with the matters here set forth. I submit this affidavit in support of a joint motion by RCA Globcom and respondent FEDERAL COMMUNICATIONS COMMISSION ("FCC" or "the Commission") for an Order with respect to scheduling in this Docket.

2. On February 11, 1976 RCA Globcom filed a petition to review an Order which the FCC released in its Docket 19660 on January 7, 1976. The Order, *inter alia*, directed a revision, effective March 1, 1976, of a formula governing the distribution by The Western Union Telegraph Company of certain telegraph traffic to, among others, RCA Globcom, intervenors ITT World Communications Inc. ("ITT Worldcom") and TRT Telecommunications ("TRT"), and Western Union International, Inc. ("WUI").

3. On February 24, 1976 Staff Counsel Fensterstock issued a Civil Appeals Scheduling Order in this Docket. A copy is annexed as Exhibit A.

4. On or about February 25, 1976 RCA Globcom served and it has since filed a motion for a stay of the Commission's Order of January 7, 1976. The motion now is returnable on March 9, 1976.

5. During February, the FCC received motions from RCA Globcom, Western Union and WUI suggesting, variously, that the Order of January 7, 1976 be stayed pending judicial review, that its effective date be deferred, and that its terms and effective date be reconsidered by the Commission.

6. Last week, we are advised by the Commission's Common Carrier Brueau, the Commission adopted a further order staying the effect of its January 7 Order pending further proceedings before the Commission. This Order is due to be "released" (i.e., publicly published) this week after clerical

processing at the Commission. We will supply a copy for the Court's file when it is available.

7. Under the circumstances, it seems appropriate that RCA Globcom's stay motion and other proceedings in this Docket be adjourned pending the completion of the further proceedings contemplated by the Commission. We are submitting with this motion a proposed Order which will, we believe, accomplish this objective efficiently.

8. The papers heretofore served and filed by RCA Globcom in support of its stay motion include copies, made at considerable expense, of large portions of the record made before the Commission in its Docket 19660. These papers are likely to be pertinent to any further proceedings in this Court. To avoid the need for further expensive duplication on a later date, the motion should be kept alive as a vehicle which can be reactivated on reasonable notice with such supplementation of the filed papers as may be appropriate at the time.

9. I am authorized by Jack Smith, Esq. of the office of the General Counsel of the FCC, to state that the Commission and the United States concur in this request for the relief sought by the present motion. I have consulted with counsel for intervenors ITT Worldcom and TRT who have authorized me

to say that they have no objection to the Order proposed by this motion.

H. Richard Schumacher

Sworn to before me this
4th day of March, 1976.

Notary Public

IN THE UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

- x

RCA GLOBAL COMMUNICATIONS, INC., :

Petitioner, :

-against- :

FEDERAL COMMUNICATIONS COMMISSION :
and UNITED STATES OF AMERICA,

Respondents, :

and :

ITT WORLD COMMUNICATIONS INC. and :
TRT TELECOMMUNICATIONS CORPORATION,

Intervenors. :

- x

Docket No. 76-4054

ORDER WITH
RESPECT TO
SCHEDULING

Upon the motion of Petitioner RCA GLOBAL COMMUNICATIONS, INC. and of respondent FEDERAL COMMUNICATIONS COMMISSION and the affidavit of H. Richard Schumacher, verified March 4, 1976, and good cause appearing,

IT IS ORDERED:

1. Petitioner's motion for a stay of the Order released by the Federal Communications Commission in its Docket 1966. on January 7, 1976, which motion now is returnable before this Court on March 9, 1976, is adjourned *sine die*.

2. Petitioner may restore the said motion to the

calendar by notice of the kind required to notice such a motion in the first instance and, in the event of such restoration, may serve with its notice such additional papers as it deems appropriate.

3. The Civil Appeals Scheduling Order issued in this Docket under date of February 24, 1976 is annulled, and further proceedings in this Docket shall be held in abeyance pending further Order by this Court or its authorized representative.

4. Counsel for petitioner and counsel for respondent Federal Communications Commission shall promptly advise the Staff Counsel of further actions by the said Commission affecting its Order of January 7, 1976, and the Staff Counsel shall, in the light of such advice, enter such further scheduling order as may be appropriate and reasonable in the circumstances.

At New York, New York
March 5, 1976

~~U.S. Circuit Judge~~

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act	Docket No. 19660 RM-690

To: The Commission

CONTINGENT MOTION FOR CLARIFICATION

The Western Union Telegraph Company (Western Union) respectfully moves this Commission to clarify its stay order, entered herein on February 26, 1976 (but not yet released), to make explicit -- if it does not already do so -- that Western Union is entitled to be reimbursed for any increased expense incurred as a result of a continuation of the stay beyond March 21, 1976. In support of this contingent motion Western Union states as follows:

On ~~January~~ February 19, 1976, Western Union filed a motion requesting a three-week extension (until March 21) of the deadline for the implementation of the new interim formula governing the distribution of unrouted international cablegram traffic (as established in the Commission's Report and Order and Notice of Proposed Rulemaking, released January 7, 1976, F.C.C. 75-1430). Western Union pointed out that the new "interim formula" established by the Commission would double the number of messages that had to be sorted and tallied by hand at Western Union's Minneapolis facility; that in order to handle the increased volume of traffic it would have to (a) modify and expand its facilities at Minneapolis and (b) hire and train seven additional employees; and, that it would not have the facilities and manpower needed to administer the new formula until March 21. Western Union further pointed out that the necessary preparations "have already commenced and are proceeding without delay. . . ."

~~Thereafter,~~ on February 11, 1975, RCA Global Communications filed a petition requesting that the Commission stay its formula decision pending judicial review by the Second Circuit. On that same day, Western Union International petitioned the Commission for reconsideration of its decision and requested that the effective date of the interim formula be postponed until January 1, 1977. Western Union did not oppose either petition.

On February 27, 1976, the Commission released a Public Notice (Report No. 11669) advising that in an order adopted the preceding day the Commission "stayed until further notice the March 1 effective date for implementation of [the] interim formula . . . ." The Public Notice stated that

> "[T]he Commission found in the exercise of its discretion, that the public interest would be served best by staying the effectiveness of the January 7 Report and Order until the matters raised in the petitions [of RCA and WUI] have been resolved."

The stay granted by the Commission was thus of indefinite duration, and it very well may not be vacated by March 21.

At the time the Commission released the Public Notice informing the parties that the stay had been granted, the March 21 target date of Western Union for implementation of the new interim formula was only about three weeks away. Western Union had already completed -- and this progress was necessary if the March 21 deadline was to be met -- much of the preparation required to distribute cablegram traffic to the IRCs in accordance with the new formula. Specifically, Western Union had begun preparations to install new equipment at its Minneapolis facility and had hired the seven additional employees needed to sort the increased volume of traffic. Because the stay ordered by the Commission is indefinite, Western Union is continuing its preparations at Minneapolis, including the training of the seven additional employees it has hired.

In its Report and Order and Notice of Proposed Rule Making (FCC 75-1430), the Commission made clear (p. 30) that Western Union "should be reimbursed for the reasonable costs it incurs in effecting distribution of cablegram traffic to the IRCs." This would plainly include any reasonable start-up costs incurred by Western Union prior to the time it actually begins to distribute traffic under the new formula.

Western Union is, of course, already incurring costs as a result of its obligation to administer the new formula. For example, it must pay the salaries of the seven new employees that have been hired and are now being trained. Under the new formula, the salaries of these employees as well as other expenses will continue to be incurred regardless of whether the new formula is actually placed in effect on March 21 or stayed beyond that date.

Manifestly, any stay beyond March 21 would result in increased and, in a sense, unnecessary start-up costs for Western Union. The Commission's stay order has not yet been released and we have no way of knowing whether this order makes explicit the fact that Western Union is entitled to reimbursement for such increased costs. If the stay order does not so provide, we believe it should be clarified to acknowledge Western Union's right to reimbursement -- either from all of the IRCs who receive traffic distributed under the new interim formula, or, perhaps, only from those IRCs who have sought a postponement of the for date implementing the new formula beyond March 21 -- for any increased costs incurred as a result of a stay after that date. Western Union cannot and should not be expected to continue to incur substantial expenses to accommodate the IRCs unless it will be able to recover those expenses without delay.

WHEREFORE, Western Union expressly requests that if the stay order entered February 26 does not already so provide, it be clarified to make explicit that Western Union is entitled to reimbursement for any increased expense incurred as a result of a continuation of the stay in implementing the new interim formula beyond March 21, 1976.

Respectfully submitted,

THE WESTERN UNION TELEGRAPH COMPANY

By
Joel Yohalem

Leon M. Kestenbaum

1828 L Street, N. W.
Washington, D. C. 20036

Its Attorneys

Of Counsel:

R. C. Hostetler, Esq.
One Lake Street
Upper Saddle River, N. J. 07458

March 5, 1976

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document, filed with the Federal Communications Commission on behalf of The Western Union Telegraph Company, by United States mail, first class postage prepaid, on the following:

Mr. Walter R. Hinchman
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Washington, D. C. 20554

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Carl J. Cangelosi, Esquire
RCA Global Communications, Inc.
Sixty Broad Street
New York, New York 10004

Albina Karen Olson

Dated: March 5, 1976

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
)
International Record Carriers' Scope of)
Operations in the Continental United) Docket No. 19660
States, Including Possible Revisions to) RM-690
the Formula Prescribed under Section)
222 of the Communications Act)

To: The Commission

REPLY TO OPPOSITIONS TO PETITION FOR RECONSIDERATION

Western Union International, Inc. (WUI) hereby replies to the Oppositions of TRT Telecommunications Corp. (TRT) and ITT World Communications, Inc. (ITT) and the Partial Opposition of RCA Global Communications, Inc. (RCA) to WUI's Petition for Reconsideration of the Commission's Report and Order and Notice of Proposed Rulemaking (Order) released January 7, 1976. In support of its reply, WUI respectfully states as follows:

Nature Of Routed Traffic Base

In its Petition, WUI requested the Commission to reconsider its Order and revise the interim formula by specifying that the base of routed traffic for distribution of unrouted traffic exclude all traffic filed directly with the IRCs by customers who do not use the facilities of The Western Union Telegraph Company (WUTelCo). WUI pointed out that the formula was designed to distribute traffic derived solely from the market composed of patrons of WUTelCo. Consequently, it is far more logical, given the basic premise of the Commission that routed traffic should govern unrouted traffic*, that the routed traffic to be considered in allocating unrouted traffic should consist only of the traffic derived from the same class of customers as the unrouted traffic, specifically, that filed through the facilities of WUTelCo. WUI further pointed out that the Commission's adoption of formula changes of which the affected carriers had no notice or opportunity to comment constituted a violation of Sections 222(e)(1) and 222(e)(3) of the Communications Act of 1934 and Sections 553(b) and 553(c) of the Administrative Procedure Act. WUI also stated that since it has no offices of its own, and the public facilities of WUTelCo in New York have drastically declined in recent years, utilization of direct pickup traffic would place WUI at an unwarranted competitive advantage.

None of the three carriers opposing WUI's Petition has refuted WUI's basic contention that, if routed traffic is to be used as the basis of distribution of unrouted traffic, then logically the routed traffic to be used for this purpose should be derived from the same market as the unrouted traffic. TRT attempts to gloss over the differences between the direct pickup market of the IRCs in the gateways and the hinterland/WUTelCo market consisting of patrons who utilize WUTelCo's facilities, by arguing that the IRC's compete for message traffic on a nation-wide basis. RCA merely states its contention that the goal of increased competition mandates that the routed traffic base should include all traffic, including traffic totally unrelated to the group of customers generating the unrouted traffic. ITT chooses not to offer any rebuttal of WUI's argument whatsoever except to characterize it as "parochial".*

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* WUI does not accept this premise, and has requested the Commission to reconsider its adoption.

The carriers opposing WUI's Petition have failed to take into account the fact that the communications opportunities available to customers in the gateways, and consequently the factors influencing their decision whether to file messages with the IRC's or with WUTelCo, are different from those in the hinterland. Customers in the hinterland generally have no practical choice but to use the facilities of WUTelCo to file their messages. In the gateways however, decisions as to routing are affected by the availability of RCA and ITT public offices, and as ITT points out, by the use of messengers to pick up traffic. Thus in the gateway the choice of carrier may be influenced by the sheer happenstance of the proximity of an office of one of the IRCs or by the routes of messengers picking up traffic, or by the extent of gateway advertising. In the hinterland, however, these factors are not applicable and the public has exactly equal access to all carriers, since all traffic uses WUTelCo's non-discriminatory facilities. Consequently, inclusion of traffic derived from the IRC's gateway facilities in the routed base would distort the proper distribution of unrouted traffic.*

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* Presumably, ITT would have the Commission naively believe that its long and ardent efforts to have the formula changed are unrelated to the fact that its share of the unrouted pool would be substantially increased thereby.

ITT and TRT argue that WUI had legally sufficient notice that gateway pickup traffic would be included in the traffic base, notwithstanding the fact that neither the Commission nor any carrier ever proposed such action. Section 222(e)(3) of the Communications Act mandates a "full hearing" before any revision in the formula may be promulgated. It is indeed questionable whether the Commission has complied with the statutory mandate of a full hearing even for proposals of which WUI did have notice, since no evidentiary hearing was held despite the reiterated requests of WUI and RCA. Certainly WUI was denied the benefit of a "full hearing" when it did not know that the Commission was even considering the inclusion of direct pickup traffic. One practical example of the resulting detriment to WUI is the lack of industry-wide figures for direct pickup traffic. (The IRC's currently lump direct access traffic from WUTelCo patrons with gateway pickup traffic in the figures reported to the IQB). If WUI had been on notice that the Commission was considering the use of direct pickup traffic, it would have insisted that the WUTelCo study of international message traffic (which formed the statistical basis of the Commission's decision) provide separate figures for these two classes, so that it would have been possible to measure the effect on each carrier. Without this break-down, it is impossible to determine whether WUI or any other carrier would be helped or hurt by inclusion of such pickup traffic in the routed base.

---

* ITT's allegation that the WUTelCo office pickups constitute only 3% of WUI's "total gateway pickups" is inaccurate and misleading since it erroneously includes large numbers of messages derived from the hinterland and filed via direct access in the gateway pickup total.

In response to RCA's argument that the Commission's decision is based on a desire to increase compeition among all classes of traffic, it is sufficient to note that the courts have stated that competition alone is not an adequate factor to justify Commission action. (Hawaiian Telephone Company v. FCC, 498 F.2d 771 (D.C.Cir. 1974).

RCA argues that WUI is not prejudiced by the inclusion of direct pickup traffic despite the fact that it has no public offices in any of its gateway cities, because under the current formula, unrouted messages filed with WUTelCo offices in Manhattan (south of 60th Street) are deemed routed via WUI.* This provision is not a "bonanza", as RCA terms it, since the full landline haul was paid to WUTelCo for each such message. RCA and ITT on the other hand "scoop" the landline haul for messages that they pick up. Additionally, RCA and ITT have been able to locate their public offices at will, near to the concentrations of international message filers, while WUTelCo chose the location and number of its offices with regard to the origin of domestic traffic. None of the carriers opposing WUI's Petition has refuted the fact that the erosion of WUTelCo's pickup facilities in Manhattan has significantly reduced the value of the right of use of WUTelCo offices, which was the quid pro quo for WUI's inability to open its own offices.** Finally the public offices of RCA and ITT have familiarised the public with their names, while WUI has had no such public exposure.

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* The fact that ITT and RCA have reduced the number of their public offices is not persuasive, since RCA and ITT filed their applications to close offices long before they knew the Commission would use traffic filed in these offices to allocate unrouted traffic.

** ITT argues that WUI was never prohibited from opening up its own offices despite the existence of the Domestic Facilities Agreement (DFA) approved by the FCC. This is a very interesting argument. Does ITT contend that any carrier can ignore the terms of any agreement filed with and approved by the Commission? In any event, regardless of dicta in the Commission's Order, the DFA is still in effect.

The Effective Date Of The Formula Should Be Postponed

ITT and TRT (but not RCA) oppose WUI's request for reconsideration of the effective date specified by the Commission in its order. ITT urges that because this proceeding has been pending for some time, WUI should have anticipated that the Commission would order the international formula changed, despite the fact that the public is not affected in the slightest, and that the Commission would adopt amendments to the formula which were never proposed by any party or discussed in the pleadings. The absurdity of this is self-evident.

WUTelCo has stated that it will take approximately nine months to computerize the new formula. In the meantime, it proposes to expand its manual operation at Minneapolis by hastily hiring and training several new operators. The consequences of this unnecessary crash program, by WUTelCo's own statement, are additional expenses at the rate of $150-200,000 per year and significantly increased processing time for this traffic. It is likely that hastily trained operators will contribute to misrouting, format and other errors. None of this would be necessary if the Commission would allow WUTelCo sufficient time to computerise the formula operation.

ITT argues that WUI's request for reconsideration of the date on which the interim formula will be placed into effect contravenes Section 1.44(e) of the Commission's Rules and Regulations because only one pleading was filed. WUI does not believe that this Section applies where no appeal is being pursued; and no person was harmed by the filing of one document rather than two. In any event, the Commission waived any dual pleading requirement--if in fact there ever was one--by treating WUI's Petition for Reconsideration also as a petition for stay. See Commission Order of March 5, 1976 staying its January 7 Order at footnote 3 on Page 2 (FCC 76-192).

Gateway Direct Access

No carrier opposed the substance of WUI's request for a clarification of the Order to specify that customers in the gateways are not required to absorb the cost of telex, TWX or other media used to file messages with the IRCs. This is a technical change necessary to prevent any claim that the Commission's direct access policy was changed by this obvious inadvertence, and does not involve any substantive change in the Commission's decision herein. WUI submits that the grant of its request will assist the carriers and the public to be certain of the Commission's policy on gateway direct access.

WHEREFORE, the Commission should grant the relief requested in WUI's Petition for Reconsideration.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: Roger P. Newell
Its Attorney

One WUI Plaza
New York, New York 10004

Dated: March 8, 1976

CERTIFICATE OF SERVICE

I, Burnadine Diggs, do hereby certify that a copy of the foregoing pleading of Western Union International, Inc. has been sent by United States mail, postage prepaid, to the following:

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ITT World Communication Inc.
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New York, New York 10004

Carl J. Cangelosi, Esq.
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Rodger M. Sanders, Esq.
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William D. English, Esq.
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950 L'Enfant Plaza, S.W.
Washington, D.C. 20024

/s/ Burnadine Diggs

Dated: March 8, 1976

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act	)	Docket No. 19660 RM-690

TO: The Commission

TRT TELECOMMUNICATIONS CORPORATION'S COMMENTS ON CONTINGENT MOTION FOR CLARIFICATION

TRT Telecommunications Corporation (TRT) hereby submits its comments on the "Contingent Motion For Clarification" filed herein on March 5, 1976 by The Western Union Telegraph Company (Western Union)

In order to be in a position to implement the new international formula prescribed by the Commission on a reasonably timely basis, Western Union has already incurred costs to modify and to expand its Minneapolis quota routing center and to hire and train seven additional employees. Western Union will be able to implement the new formula on March 21 and any postponement in this implementation date will require it to incur additional start-up costs. Accordingly, Western Union is understandably concerned that the Commission's February 26, 1976 order (FCC 76-192) staying indefinitely its Report and Order and Notice of Proposed Rulemaking, issued January 7, 1976 (FCC 75-1430) could result in it incurring additional cost to implement the formula for which it might not be reimbursed.

Western Union states, "Manifestly, any stay beyond March 21 would result in increased and, in a sense, unnecessary start-up costs for Western Union." In this regard, TRT agrees that it would be unreasonable to require Western Union to absorb such unnecessary start-up costs which would result from a continuance of the stay beyond March 21. However, it would be equally unreasonable to require the IRC's to absorb such additional and unnecessary costs. We respectfully submit that the Commission should vacate its stay effective March 21 so as to obviate the need for any party to incur these unnecessary costs.

In its February 26 order the Commission stayed its January 7 Report and Order, on its own motion, apparently in order to maintain the status quo pending consideration of the petitions of RCA Global Communications, Inc. (RCA) and Western Union International, Inc. (WUI). However, as Western Union's instant Motion makes clear, the issuance of a stay will not accomplish this purpose. Since the start-up costs required to implement the new formula have already been largely incurred by Western Union, the continuance of the stay beyond March 21 will not maintain the status quo but will result in the incurrence of additional and unnecessary start-up costs. Moreover, we respectfully submit that a continuance of the stay would unreasonably deprive the public and the carriers which are unjustly denied unrouted traffic under the present formula of the relief to which the Commission has found they are entitled.

In footnote 4 of its February 26 order, the Commission has indicated that it hopes to resolve the matters raised in the RCA and WUI petitions before March 21. We urge the Commission to make every effort to do so. However. even if the Commission should be unable to fully dispose of all matters by that date, we urge the Commission to vacate its stay in order to avoid the incurrence of additional and unnecessary start-up costs as well as to prevent irreparable injury to TRT and other carriers which are being denied a just and reasonable distribution of unrouted traffic.

Respectfully submitted

TRT TELECOMMUNICATIONS CORPORATION

BY: ______________________
Roderick A. Mette
Vice President & Counsel

1747 Pennsylvania Avenue, N.W.
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March 12, 1976

CERTIFICATE OF SERVICE

I, Cynthia A. Martell, do hereby certify that a copy of the foregoing has been sent this 12th day of March, 1976 to the following by United States mail, postage prepaid:

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One Lake Street
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Cynthia A. Martell
Cynthia A. Martell

March 12, 1976

Before the
Federal Communications Commission
Washington, D. C. 20554

In the Matter of)
)
International Record Carriers' Scope of) Docket No. 19660
Operations in the Continental United States,) RM-690
Including Possible Revisions to the Formula)
Prescribed Under Section 222 of the Communi-)
cations Act.)

TO: The Commission

COMMENTS

RCA Global Communications, Inc. (RCA Globcom) hereby provides its comments on the "Contingent Motion for Clarification" filed by The Western Union Telegraph Company (Western Union) on March 5, 1976. In its motion, Western Union requests the Commission to clarify its order, adopted February 26, 1976 and released March 5, 1976, granting a stay of the effective date of the interim formula prescribed in its Report and Order and Notice of Proposed Rulemaking (FCC 75-1430),* to make explicit that Western Union is entitled to reimbursement for any increased expense incurred as a result of a continuation of the stay in implementing the interim formula beyond March 21, 1976.

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*The Commission stayed the effective date of the interim formula until such time as it has first issued a decision on the petition for reconsideration filed by Western Union International, Inc. and the petition for stay filed by RCA Globcom. If such decision is adverse to RCA Globcom, the Commission stated that it will permit it the opportunity to seek a stay from the reviewing court.

RCA Globcom believes that Western Union is entitled to recover from the international carriers the legitimate expenses incurred by it in preparing to make the distribution under the interim formula. However, we would expect that in the event the effective date of that formula is extended beyond March 21, 1976, Western Union will take all possible steps to minimize the amount of these expenses.*

In addition to requesting clarification as to its right to reimbursement for the expenses just noted, Western Union also seeks a determination as to whether they will be recovered from all of the international carriers or only from those who have sought a postponement of the March 21, 1976 effective date. RCA Globcom submits that it is clear that all of the international carriers should share, in the manner specified in the Report and Order released January 7, 1976, any expenses legitmately incurred by Western Union. It would be totally inequitable for one carrier to have a financial penalty imposed on it merely because it sought the protections afforded by the Communications Act and other laws.

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*For example, it may be possible to temporarily assign some of the newly added personnel to other functions within Western Union.

In this respect, it should be emphasized that RCA Globcom has raised serious questions concerning the lawfulness of the Report and Order prescribing the interim formula. It has shown, among other things, that on appeal to the courts it is likely to prevail on the merits and that a grant of the stay will not harm the public while its denial will. In view of this showing, we believe that the Commission will issue a stay. However, in the event that our petition for stay is denied, the Commission has recognized that the public interest dictates that RCA Globcom should be given time to obtain a stay from the reviewing court. Given this recognition of the public interest in permitting the carriers to exercise, without penalty, their legal rights, the imposition of all of Western Union's expenses on less than all the carriers would be totally unfair and contrary to the basic intent of the Commission's order.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

Francis J. De Rosa

s/ Francis J. DeRosa CJC

Carl J Cangelosi

s/ Carl J. Cangelosi

Its Attorneys
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March 18, 1976

CERTIFICATE OF SERVICE

I, Mary S. Ruedi, hereby certify that on this 18th day of March, 1976, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

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Mary S. Ruedi

s/ Mary S. Ruedi

Before the
Federal Communications Commission
Washington, D. C. 20554

In the Matter of)
)
International Record Carriers' Scope of) Docket No. 19660
Operations in the Continental United States,) RM-690
Including Possible Revisions to the Formula)
Prescribed Under Section 222 of the Communi-)
cations Act.)

TO: The Commission

COMMENTS

RCA Global Communications, Inc. (RCA Glōbcom) hereby submits its comments on the proposal set forth in the Commission's Report and Order and Notice of Proposed Rulemaking, FCC 75-1430, (Order) which would require all international telegrams originating on The Western Union Telegraph Company (Western Union) system to be routed by the sender. For the reasons explained below, RCA Glōbcom believes that this proposal would be contrary to the public interest in that it would (a) by the force of the laws of economics, lead inevitably to the expenditure by the international carriers of additional millions of dollars on sales efforts which can only adversely affect the ratepaying public, and (b) be prejudicial to certain of the international carriers because of the customer confusion with respect to the separation of the organizations bearing the Western Union name, i.e. many users believe that Western Union and Western Union International are the same company.

RCA Globcom submits that the all-routed proposal should not be prescribed. In any case, such proposal cannot and should not be prescribed before a valid market study is performed, under the aegis of the Commission, to determine, among other things, the extent of confusion noted above and the probable cost of eliminating that confusion through education of the occasional and one-time users.

Background

On December 22, 1975, the Commission adopted its Order finding that the present formula, under which the distribution of international telegram traffic originating on the Western Union system is made, is unlawful and repealed that formula effective March 1, 1976.* As a replacement, the Commission stated that it believed in principle that all customers should be required to specify a routing for their telegrams, but that it did not have an adequate record before it to adopt the all-routed proposal at that time. As a result, it adopted for an interim period a formula which would distribute the unrouted traffic originating on the Western Union system to the international carriers in proportion to the number of routed telegrams, both from Western Union and originating on the carriers' own facilities, and at the same time directed the interested carriers to file comments on the legal, economic or other issues raised by the all-routed proposal.

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*RCA Globcom has petitioned the United States Court of Appeals for the Second Circuit for review of the Order and requested the Commission to stay its effectiveness pending such review. On February 26, 1976, FCC 76-192, the Commission stayed the effectiveness of the Order, on its own motion, until after, among other things, it had ruled on RCA Globcom's petition for stay and, if that petition were denied, we had been given an opportunity to seek a stay from the reviewing court.

An All-Routed Formula Would Be Contrary To The Public Interest

The Commission assumed in the Order, without a factual record, that the public interest would be best served by a formula in which customers are required to designate an international carrier to carry all telegrams. The Commission further recognized that in order to make this method of distribution feasible, the international carriers would have to advertise in such a manner as to reach the users of the service. We submit it is clear that the proposed formula would be contrary to the public interest in that it would require the international carriers to spend many millions of dollars in an attempt to reach the occasional and one-time users of international telegram service who because of the very limited nature of their use of the service do not care which international entity carries the telegram overseas.

As noted in the Order, approximately 3 million telegrams or some 35 percent of all outbound international telegram traffic was unrouted in 1974. It is RCA Globcom's belief, based upon its many years of experience in the telegram field, that these unrouted telegrams are sent for the most part by people who use the service only once or twice a year for social purposes such as notifying relatives of births, deaths and other sporadic events such as arrival dates of travelers. Furthermore, it would appear that these occasional users are spread geographically throughout the United States. The combination of these two facts makes an advertising campaign directed at soliciting their business extremely costly and probably impractical and, as discussed below, even if successful, will leave the customer with no better service* than obtained today but at an undoubtedly higher cost.

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*The Commission should realize, as it apparently has not, that after the initial acceptance of a telegram is performed by Western Union, the transfer of the telegram to the international carriers is made on a computerized basis and, therefore, automatic. This means that telegrams are transmitted overseas at virtually the same moment they leave the Western Union system.

If RCA Globcom is correct in its assessment that the senders of unrouted telegrams can be described as above, then any advertising effort would have to reach all segments of the public and involve an attempt to reach every part of the country. It would not be possible, for example, to limit the campaign to periodicals of relatively narrow scope, such as trade publications. Instead, advertisements in local newspapers throughout the country, magazines of nationwide circulation such as Time or Newsweek, and possibly even television would be required.

The cost to the carriers of this type of carrier identification effort would be extremely high. The characteristic of this market is such that continual repetition and reinforcement would be necessary. Certainly, an advertisement appearing this month would neither be read nor remembered by the average individual who, today, has no need to send an international telegram but has a need to send one six months from now.

In assessing whether the public interest would be served by an all-routed formula, the tremendous costs of the solicitation program just described would have to be compared with the complete lack of benefits to be derived by the public. In the present case, the expenditures of money for identification advertising will not bring a single benefit to the user--rather it is inevitable that the increased costs to the carriers will eventually necessitate rate increases.

RCA Globcom demonstrated in its comments filed July 8, 1974 that the international telegram market has shown a complete absence of growth over the period 1963 to 1973 and that for the future, only decreases in the volume of telegrams could be expected. Similarly, inflationary factors and the recent increase in landline divisions paid to Western Union have eliminated the possibility of any rate decreases.* It is significant that during the many comments filed by the carriers on the formula question at no time has either of these two basic facts, i.e. declining market and no possibility of rate decreases, been disputed.

Given these facts, positive support on the record for the abstract proposition that there will be public benefit must be shown by the Commission before it can adopt the proposal. We submit that no such specific benefit has been shown and none can exist. The extensive solicitation efforts which even the Commission envisions will occur if the all-routed formula proposal is adopted will only add greatly to the costs of a service now only marginally profitable.

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*The division of revenues paid to Western Union for the domestic handling of international messages has recently been increased by almost 50 percent.

If the solicitation efforts were successful, the only change would be that the occasional users of the service would be aware of the existence of the international carriers. Yet that knowledge would not bring with it any benefits. One cannot expect that international telegram rates will be reduced. With respect to service, there has been no claim by any carrier that an increase in volume will allow it to provide a better service to the public. Further, while RCA Globcom believes it provides service as good as the best, we do not suppose that the difference in quality could be perceived by a customer who sends one or two telegrams per year. Rather, such a customer has little opportunity to compare the relative qualities of service of the different carriers because of the infrequency of his requirements. Thus, the additional "knowledge" of the customer would not yield any demonstrable benefits.

We submit that the above clearly shows that the all-routed proposal is another step taken by the Commission towards unbridled competition which when analyzed in the context of the international telegram service makes little economic, legal, or regulatory sense. The failure of the Commission to consider the specific characteristics of this market and instead rely on the theoretical benefits of competition in a theoretical industry as applied to a theoretical service cannot suffice to meet the requirement imposed upon the Commission to use the public interest as its guideline rather than competition for the sake of competition. Such an approach would clearly violate the holding in Hawaiian Tel. Co. v. FCC, 498 F. 2d, 771, and similar cases.

The All-Routed Proposal Would Give An Unjustified Advantage To Western Union International

In its supplemental comments filed August 1, 1975, RCA Globcom explained that it has routinely and repeatedly experienced a condition in the United States communications marketplace of customer confusion with respect to the separation of the organizations bearing the Western Union name, i.e. many customers believe that Western Union International and Western Union are the same company.*

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*RCA Globcom requests that that portion of the supplemental comments referred to be incorporated by reference rather than repeating them in their entirety here.

Support for our belief in this respect was provided by a market survey undertaken in January 1973 by Palshaw Measurement, Inc. of Southport, Connecticut. This survey was conducted among 1,031 telex operators and communications managers in the gateway cities and in 18 nongateway cities in order to test the respondents' awareness and attitudes toward three leading international telex carriers. The study results showed that 40 percent of the respondents who said that "Western Union" was the carrier they used did not know whether it was the domestic or international carrier and 4 percent felt that it meant only the domestic carrier notwithstanding that the original question addressed itself to international carriers only. When it is considered that this survey was directed at telex operators who could be expected to be more knowledgable about communications matters than the sender of an occasional international telegram, it can be seen that such confusion is undoubtedly widespread.

Additional evidence of this mistaken belief on the part of occasional users of international telegram service can be gathered from the abnormally high share of the traffic originating on Western Union's telex system which Western Union International receives.

Its substantial share of this market exists notwithstanding that it was not the first carrier to offer international telex, does not spend significantly more in advertising, does not offer a telex service with the largest number of overseas points served and secures a much smaller share of the gateway market where all of the carriers are directly represented. Rather, it can, in our opinion, only be explained by the fact that customers mistakenly believe Western Union and Western Union International are the same company. This confusion would bestow an additional and unjustified benefit on Western Union International, to the detriment of other carriers, if the all-routed proposal were prescribed. Thus, the occasional non-business user faced with the requirement to specify a carrier to carry his international telegram would likely specify Western Union International since to him Western Union means "telegram".

A Study Should Be Made Under The Aegis Of The Commission To Determine The Nature Of The Occasional User Market And Quantify The Extent Of Prejudice

As has been explained above, most senders of unrouted telegrams only very infrequently send international messages and if they were to be required to designate a carrier under the all-routed proposal they would pick Western Union International merely because of the similarity between its name and that of Western Union. This view is based upon the years of experience of RCA Globcom's marketing personnel as well as market studies such as the Palshaw Measurement, Inc. one already mentioned. We also believe that this evidence is convincing and that on the basis of it, the Commission should not prescribe the all-routed proposal.

However, in the event that the Commission is still disposed towards this type of plan, we submit that it should not proceed until it has established by means of a thorough study that what we believe to be the facts are not correct. The study, which would be performed under the aegis of the Commission at the carriers' expense, would be directed at determining at least the following:

(1) the exact nature of the market represented by those individuals who send unrouted messages;

(2) the frequency with which these users send international telegrams;

(3) the geographic distribution of such users;

(4) the bias, if any, which these users have for Western Union International because of its name;

(5) whether bias would be introduced by other factors if the all-routed proposal were put into effect;

(6) whether bias could be eliminated by any means if the all-routed proposal were put into effect, and the cost thereof; and

(7) whether the occasional users care as to which international carrier provides the service.

Answers to questions such as these, as well as others which would be developed, would provide the only basis on which the Commission could make a rational decision prescribing the all-routed proposal. Indeed, failure to get definitive answers in view of RCA Glōbcom's experience in this field as described above would undoubtedly constitute error and only result in an arbitrary and capricious decision. Also, as RCA Glōbcom has noted in prior pleadings, the Commission has a definitive obligation to avoid any confusion as to which carrier is actually handling an international telegram. Thus, in the Western Union Divestment Case, the Commission stated that "it would be inconsistent with our function as administrators of the act to permit circumstances to arise under which the public may be misled as to the carrier to which it entrusts its communications, particularly since this could operate to deprive competing carriers of traffic they might otherwise receive."

30 F.C.C. 323, 344 (1961).

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

s/ Francis J. DeRosa

s/ Carl J. Cangelosi

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April 2, 1976

CERTIFICATE OF SERVICE

I, Mary S. Ruedi, hereby certify that on this 2nd day of April, 1976, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

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Mary S. Ruedi

s/ Mary S. Ruedi

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
International Record Carriers' Scope of)
Operations in the Continental United States,) Docket No. 19660
including possible revision to the Formula) RM-690
prescribed under Section 222 of the)
Communications Act.)

To: The Commission

COMMENTS

ITT World Communications Inc. (ITT Worldcom) hereby submits its comments in response to the Commission's Notice of Proposed Rule Making 1/ (Notice) regarding the long-term elimination of a formula, as such, for the distribution by The Western Union Telegraph Company (Western Union) of hinterland originated outbound unrouted telegraph message traffic among the interested international record carriers (IRCs), by requiring the sender to designate the IRC by which his message should be routed.

1/ Report and Order and Notice Of Proposed Rulemaking, released January 7, 1976, Docket No. 19660, FCC 75-1430.

In its Notice, the Commission found that the public interest in the provision of international telegraph services would be best served by relying primarily on consumer choice for the distribution of outbound international messages among the several IRCs. After prescribing an "Interim" Formula which would move in this direction by causing unrouted traffic to be distributed in proportion to customer-routed traffic, the Commission expressed the view that in the long-term all traffic should be specifically routed by the sender. The Commission recognized, however, that there were a number of unresolved operational and economic questions which could substantially impact the implementation of an all routed system. Accordingly, the Commission directed the interested parties to file comments addressing these unresolved matters.

ITT Worldcom agrees with the Commission's conceptual determination that an all-routed approach is the logical extension of the "Interim" Formula for distribution by Western Union of hinterland originated telegraph message traffic.

However, as the Commission recognized, there is presently a substantial volume of unrouted traffic, such that an all-routed requirement could create a substantial burden for Western Union's employees who might have to explain the routing requirement and choice of carrier to a large proportion of those non-routing users, with a concomitant increase in Western Union's operating costs. For the reasons set forth hereafter, ITT Worldcom submits that the all-routed approach should be established as an ultimate objective toward which all parties would cooperatively strive.

ITT Worldcom submits that the Commission should adopt a flexible timetable toward reaching this goal, lest undue haste, required in order to meet an arbitrary deadline, result in compromises which diminish the quality of service to the public and/or impose a substantial cost burden on Western Union or the IRCs, which added costs will ultimately have to be included in the carriers' rate bases.

As the Commission noted, a large number (approximately three million in 1974) of hinterland originated international telegraph messages are not designated by the sender for routing via any particular IRC. Further, based on available information, experience, and judgment, ITT Worldcom is strongly of the view that a substantial part of the unrouted traffic pool is traffic of a social, or non-business nature, which traffic is characterized by irregular and usually infrequent message transmissions, on a per user basis.

In order to convert the approximately three million unrouted message originations into user-designated IRC routings, ITT Worldcom conceives of three possible approaches:

1. An extensive sales/advertising/promotion campaign on the part of the IRCs, and possibly Western Union as well, to acquaint present and prospective "unrouted" users with IRC identities and with the necessity and desirability of designating a particular IRC for the overseas carriage of a hinterland filed message;

2. A follow up notification procedure by each IRC to the senders of all unrouted traffic routed to that IRC by the Formula, stressing carrier identity and the desirability of designating a specific IRC for the routing of future overseas traffic;

3 An insistence by each Western Union receiving employee or agent that all overseas messages be designated by the sender for routing via a particular IRC, with appropriate explanation, as required, of the choice which the customer has among competing IRCs.

In ITT Worldcom's judgement, none of these three possible approaches offers a practical methodology for achieving an all-routed distribution in the near-term (i.e., the next one to three years).

An effective advertising/marketing campaign to achieve a "carrier consciousness" for the IRCs among the approximately three million unrouted message originators would be prohibitably expensive. As a class at least, those customers who do not designate an IRC for their hinterland originated overseas messages are widely scattered geographically and rather infrequent users of the overseas telegraph service (perhaps only once or twice in a lifetime). This would be particularly true for the "social" class of message users. In order to effectively reach these unrouted hinterland users, a massive nationwide IRC advertising campaign would have to be undertaken with a probable cost to each of the IRCs that would far exceed the potential revenue from the "captured" unrouted traffic. Since these grossly uneconomic promotion expenses would ultimately have to be passed on to the ratepayers, such an effort would clearly not be in the public interest unless there were no reasonable alternative which would satisfy the criteria of Section 222 of the Communications Act of 1934, as amended.[2/]

The use of a follow-up, or direct contact advertising campaign, based on unrouted originations which the Formula causes to be routed via a particular IRC, is also not likely to be effective. This class of users is believed to be characterized by highly infrequent message filings such that a one-shot IRC promotion, following the transmission by the IRC of an unrouted message, is quite likely to have been completely forgotten when (or even if) the user again has occasion, (some substantial time period later), to file another overseas message. This method also suffers from the disadvantage of requiring a very long period of time before it could reasonably be assumed that a substantial portion of the "universe" of unrouted users had been contacted, even assuming that this form of contact would be effective in establishing a "routing bias" among users who would otherwise file unrouted.

[2/] Clearly, the "interim" Formula does satisfy the Section 222 criteria.

Requiring Western Union personnel interfacing with the sender to provide routing information and identification of the routing options (IRCs) available to the sender is similarly plagued with administrative and economic problems. ITT Worldcom would defer to Western Union as to the detail of administrative problems; however, if each of the Western Union customer interface personnel is required to know or have ready access to information as to the specific IRCs providing service to a particular point and must also explain to each customer the nature of the routing process, and the options available, a substantial amount of additional training will obviously be required for such personnel. The expense of this training, in addition to the decreased productivity due to the Western Union personnel making overseas routing explanation to customers[3/] would likely increase Western Union's overall operating costs by a substantial amount. (It is not inconceivable that these

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[2/] For example, a telephone recording operator could easily become engaged in conversation with a customer for five minutes or longer explaining routing and enumerating all the IRCs. Conceivably, this could cut operator productivity in half. Estimating that WUD has approximately 1000 telephone recording operators and overall productivity is reduced by 20%, this could mean an additional 200 people would be required by Western Union and probably additional facilities such as WATS lines, FX lines and operator positions as well.

added costs, on a per message basis, would approach the average revenue for an unrouted message). Again, these added costs must ultimately be reflected in the rates charged for overseas message service.

The requirement that enforcement of an all-routed approach along with dispensation of appropriate routing information be done at the Western Union/hinterland-overseas customers interface suffers from another, equally serious flaw. Any mandatory routing requirement enforced by Western Union's agents virtually guarantees a substantial bias in those routings in favor of Western Union International, Inc. (WUI) because of the close similarity of names between those two carriers. Regardless of how the two carriers may feel as to their distinctions and differences, the generally unsophisticated, infrequently filing, unrouted user is not likely to appreciate what to him would be highly subtle legalistic distinctions. He is probably conditioned to the view that the words "telegram" and "Western Union" are basically synonymous. Thus, given a group of IRCs including WUI to choose between, he can be expected to choose WUI in at least a significant number of cases on the basis of familiarity of the "Western Union" name.

Although it may be possible to devise an acceptable means of neutralizing this "Western Union" bias, at least to this point no one has suggested an effective method of doing so. ITT Worldcom submits that the Commission should not require the adoption of the all-routed approach until it has found an effective means to eliminate this highly probable bias in favor of WUI.

In its Notice, the Commission has expressed the belief that the IRCs have not effectively sought to reach unrouted users and stated its expectation that the IRCs would use the period of operation pursuant to the "interim" revised Formula to expand their solicitation efforts. Although, for the reasons heretofore set forth, ITT Worldcom is concerned that extensive further solicitation may be economically unfeasible, it agrees that the IRC's operations pursuant to the revised Formula will provide an excellent economic test of this concept. To the extent that such solicitations would be cost-effective, the revised Formula will provide adequate competitive incentive for the IRCs to seek to reach those presently unrouted users.

ITT Worldcom further submits that since the revised Formula provides a clearly equitable basis for distribution of the present unrouted traffic among the participating IRCs, it will be entirely reasonable and prudent for the Commission and the parties to proceed with due deliberation in their respective efforts to achieve an all-routed distribution. The most important motivation for moving to an all-routed distribution appears to be a desire on the Commission's part to relieve Western Union of the administrative burden associated with the "interim" revised Formula. Obviously, this goal will not have been met if a hastily devised all-routed system results in a burden to Western Union equal to or greater than its burden under this "interim" Formula.

In conclusion, ITT Worldcom supports the Commission's determination that an all-routed approach should be the ultimate evolution of the Section 222 international formula. However, ITT Worldcom submits that there are substantial problems associated with reaching that goal which should be thoroughly explored by the Commission before ordering the implementation of an all-routed "Formula."

Respectfully submitted,

ITT World Communications Inc.

BY: John A. Ligon

John A. Ligon

Its Attorney
67 Broad Street
New York, New York

Dated: April 2, 1976

CERTIFICATE OF SERVICE

I, Shawn Eames, hereby certify that on this 2nd day of April, 1976, I mailed a copy of the foregoing "Comments" by United States Mail, postage prepaid, to the following persons:

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
International Record Carriers' Scope of)
Operations in the Continental United) Docket No. 19660
States, Including Possible Revisions to) RM-690
the Formula Prescribed under Section)
222 of the Communications Act)

To: The Commission

COMMENTS OF WESTERN UNION INTERNATIONAL, INC.

Western Union International, Inc. (WUI) hereby submits its comments on the proposal of the Commission to require persons filing international cablegrams to specify the international record carrier (IRC) to handle such messages.

In its Report and Order and Notice released January 7, 1976, the Commission ordered that a revision be made to the international formula governing the distribution of unrouted messages filed with The Western Union Telegraph Company (WUTelCo). This revised formula was stated to be interim in nature, effective only until the promulgation of a final formula, which would require every filer of an outbound international message with WUTelCo to specify the IRC of his choice. The Commission requested comments on this proposal from the interested carriers. This submission is in response to the Commission's request.

As explained earlier in this proceeding, WUI disagrees with the interim formula for both substantive and procedural reasons previously specified, and WUI continues to believe that the public interest would best be served by retention of the existing formula, which has served well for many years.* However, if the Commission determines that it should change the present formula consistent with the procedural constraints of Docket No. 76-4054 before the U.S. Court of Appeals, Second Circuit, WUI believes that the public would be better served by the proposal for required routing than by the interim formula. Accordingly, WUI is submitting these comments without prejudice to its preference for retention of the existing formula.

The power of the Commission to order required routing is clear. Section 222(e) of the Communications Act of 1934, as amended, relates to distribution of "telegraph traffic by wire or radio destined to points without th[illegible]ontinental United States" (Section 222(e)(1)), and is not limited to the distribution of unrouted traffic. The Commission is required to approve or prescribe after a hearing a formula for the distribution of all such traffic, but no restrictions are placed on the Commission as to the manner in which such distribution is to be accomplished, except that such formula must be "just, reasonable, equitable and in the public interest". Provided that the appropriate hearing procedure is followed and that this public interest standard is met, the Commission has implied power under Section 222 to order any reasonable operational arrangement that it deems appropriate to accomplish the purposes of the statute. Section 4(i) of the Act empowers the Commission to "perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this Act, as may be necessary in the execution of its functions". In the absence of any provision affirmatively requiring the Commission to permit unrouted traffic to be filed with WUTelCo, there is no question that the Commission has authority to implement its proposal, if it deems it appropriate after full hearing.

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*See, inter alia, WUI's Comments dated July 8, 1974, Reply dated August 16, 1974, Supplemental Comments dated August 1, 1975 and Petition for Reconsideration, dated February 11, 1976.

One result of requiring the public to route messages would be to force all of the IRCs to increase their marketing efforts so as to acquaint the public with the existence and quality of their services. This in turn would lead to a situation where all carriers would compete fully for all outbound message traffic. To the extent that quality of service might be dependent upon the effectiveness of competition, the result of the proposed required routing may very well be increased efforts by all carriers to improve existing services and to innovate new services.

The added competition which would result would enable all carriers, including the smaller carriers in the industry, to obtain a share of the market that would be consistent with their dedication of facilities to this service, their marketing effort and their quality of service provided to the public.

The required routing proposal would at one stroke eliminate all of the complexities involved in the administration of a formula designed to govern distribution of the traffic to almost two hundred separate points, and would eliminate all claims of unfair administration of the formula. A requirement for all messages to enter WUTelCo's system already routed will also lead to reduction of cost and improvement in the quality of service. At present, approximately 53,000 messages per week must be routed manually in the quota distribution center in Minneapolis. Under the interim formula, the volume will rise to approximately 59,000 messages per week, since unrouted traffic destined to points for which one carrier is now entitled to all of the unrouted traffic will be manually routed at Minneapolis.* WUTelCo has estimated that the annual cost of the Minneapolis quota distribution center may be as much as $350,000. Under the Commission's proposal, all messages will be routed by the sender and the Minneapolis center would become totally unnecessary. The service delays and costs occasioned by manual routing would be eliminated.*

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* See WUTelCo's Motion for Extension, February 19, 1976, p.2.

No matter how extensive the marketing efforts of the IRC's, it will always be necessary for WUTelCo to advise some persons of the requirement of routing, and to list the carriers available to carry the message in question to its destination. Persons who file messages over the counter or by telephone can be informed by the clerk or operator of the available international carriers. Additionally, posters can be displayed in WUTelCo's offices listing such carriers.

The vast majority of the public should quickly learn that routings are required, and that they must specify the carrier of their choice. Most persons who file cablegrams with WUTelCo will soon realize that they should be prepared to specify the carrier of their choice before contacting WUTelCo.

It is impossible to predict at this time what the economic implications of required routing will be. Of course it will affect only unrouted traffic now filed with WUTelCo. All IRCs will be required to market their services vigorously if they wish to capture the traffic that is presently unrouted, and the ultimate distribution of this traffic will of course depend on the relative success of each carrier's marketing effort. However, the unpredictability of traffic distribution is a natural result of competition between the IRCs, and should not be regarded as a disadvantage.

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* Of course, if the effectiveness of the interim formula is postponed until WUTelCo can computerize its distribution functions as requested by WUI, this added expense will be averted.

The interim formula, if implemented, would cause the international carriers to increase their marketing efforts. Therefore, such increased marketing should determine message distribution directly. An all-routed arrangement is preferable to the hybrid arrangement contemplated by the interim formula, whereby marketing efforts indirectly control message distribution and costly distribution mechanisms are maintained by WUTelCo. The self interest of each will ensure that the additional amounts spent on marketing will not exceed the marginal benefit to each carrier of the traffic resulting from these marketing efforts, and this expense will be kept within reasonable bounds.

A prerequisite for the adoption of required routing is the assurance that it will operate under conditions that guarantee the complete absence of favoritism to any carrier in WUTelCo's traffic handling procedures. It is anticipated that if a member of the public attempts to file a unrouted message with WUTelCo, he will be requested, in one way or another, to specify a routing, and he will be advised of the carriers available to handle his message. In order to prevent discrimination or unfair advantage to any carrier it is essential that two rules must be scrupulously observed by WUTelCo, and WUI's support of the Commission's proposal is expressly made contingent on their adoption.

The first is that the full name of each international carrier must be used, not an abbreviation, when advising the public of the list of available carriers. This is necessary because both RCA Global Communications, Inc. and ITT World Communications Inc. use their corporate symbols, "RCA" and "ITT", in connection with a wide variety of products and services. The public has been bombarded for years by the corporate logos of these two giant conglomorates. Consequently, the full names of each of the carriers must be used to prevent unfair advantage due to the wide-spread use of the "ITT" and "RCA" symbols.*

Second, the order in which the names of the carriers are listed on any request to the customer to specify a carrier must be changed on a regular basis, so that each carrier in rotation is listed first. The first name on such a list of carriers presented to an unsophisticated customer is more likely to be picked than any other. Since the purpose of requiring routing is to promote competition among the IRCs, the ground rules must provide equality of opportunity, and these two conditions will ensure such equality.

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* It should be noted that the corporate parents of RCA and ITT are both high in the list of the largest corporations in the world, whereas none of their competitors remotely approaches their size.

WHEREFORE, WUI urges that the presently existing formula be retained; but if changes are to be made, the Commission should require all messages filed with WUTelCo to be routed, subject to the two conditions specified above.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

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Dated: April 2, 1976

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Dated: April 2, 1976

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
International Record Carriers' Scope of) Docket No. 19660
Operations in the Continental United) RM-690
States, Including Possible Revisions to)
the Formula Prescribed under Section 222)
of the Communications Act.)

TRT TELECOMMUNICATIONS CORPORATION'S COMMENTS ON REQUIRED CUSTOMER ROUTINGS FOR INTERNATIONAL MESSAGE TELEGRAPH TRAFFIC FILED WITH THE WESTERN UNION TELEGRAPH COMPANY

TRT Telecommunications Corporation (TRT) hereby submits its comments on the legal, economic and operational implications of distributing outbound, unrouted message telegraph traffic on the basis of required customer routings as required by the Commission's Report and Order and Notice of Rulemaking, released January 7, 1976 in Docket No. 19660 (FCC 75-1430). In this regard, TRT respectfully states as follows.

I SUMMARY STATEMENT

TRT is in full agreement with the basic principle that in the competitive international message telegraph service, the market shares of the several international record carriers (IRC's) should be determined, to the extent feasible, by customer choice and the competitive efforts of the carriers rather than by an arbitrary allocation formula. TRT also at this time takes no position on the question of the Commission's legal authority under Section 222(e) of the Communications Act to prescribe required customer routing in place of a quota allocation system as the formula for distribution of outbound international message telegraph traffic.

However, TRT is convinced that, because of the peculiarities of the international message telegraph market, it would not be possible in the foreseeable future to implement a fair and unbiased required customer routing system for the vast majority of unrouted international message traffic filed with Western Union. Any attempt to establish such a system in current circumstances, we believe, would result in a completely arbitrary distribution of unrouted traffic which would not in any meaningful way reflect true customer choice. Moreover, the implementation of such a system under current circumstances would be extremely costly and would unnecessarily inconvenience occasional users by requiring them to make an arbitrary choice of routings among carriers without the information needed to make this choice on a rational basis.

In TRT's opinion, it is only feasible to implement required customer routing at the present time with respect to international message traffic filed by Western Union's Telex and TWX subscribers. Such traffic, however, accounts for only 4% of the unrouted messages accepted by Western Union.

Accordingly, except to this very limited extent, TRT does not believe that it is feasible to implement required customer routing in place of an allocation formula. TRT submits that the interim formula which has been prescribed by the Commission provides for a fair and equitable distribution of traffic in accordance with customer choice and the competitive efforts of the carriers. TRT, therefore, urges the Commission to require the prompt implementation of the interim formula.

II PROBLEMS IN IMPLEMENTING REQUIRED CUSTOMER ROUTINGS

A. Required Customer Selection Could Not Be Implemented in a Unbiased Manner Under Current Market And Operational Conditions.

At paragraph 45 of the Commission's Report and Order and Notice of Proposed Rule Making, the Commission noted that approximately 35% of all outbound international traffic is unrouted and approximately 75% of Western Union transfers are unrouted. The Commission commented that:

> "We believe that this is because the IRC's have not effectively sought to reach these users and that this failure may prevent the efficient operation of a customer-routing system."

The Commission apparently contemplated that, with a more effective sales effort by the IRC's, most if not all, of the customers presently filing unrouted traffic will be apprised of their routing alternatives and be in a position to make an intelligent choice among the carriers.

In this regard, we respectfully submit that the Commission has misconceived the nature of the international message telegraph market. The international telegram is not a product like deodorant, which is used on a regular basis by the majority of the public. Although the entire population of the United States are potential users of international message telegraph service, most people never send an international telegram in their lives and the service is used on anything approaching a regular basis by only a very small percentage of total potential users. Although a significant minority of the population do send a few international telegrams during their life times, there is no practical way of identifying these infrequent users in order to solicit their traffic in an economical manner.

In this regard, we do not assert that the past efforts of the IRC's have been as effective as possible in soliciting direct routings. We agree with the Commission that these efforts could be improved and we would expect that with the greater incentive for competitive efforts under the interim formula, the percentage of unrouted traffic will gradually decline from its present 35% after the interim formula is implemented. However, it should be recognized that the nature of the international telegraph market does not permit the IRC's to undertake a massive advertising campaign, such as is utilized to sell automobiles or detergent. Moreover, because of the infrequency with which international message telegraph service is used by most people, we would anticipate that, even if such a massive advertising campaign were attempted, the majority of the public would still have no experience or other intelligent basis upon which to make choice among the competing IRC's.

Accordingly, although we would anticpate that the redirected marketing and sales efforts of the IRC's under the interim formula will result in minor decline in the percentage of unrouted traffic, there will continue to be substantial unrouted traffic for many years to come. Indeed, in spite of any increased marketing efforts by the IRC's, we do not anticipate a time in the foreseeable future when sufficient information will be possessed by most infrequent users to make a knowledgeable routing choice among the IRC's. For the foreseeable future most infrequent users will continue to have no knowledge of the existence of the various IRC's, much less an awareness of the relative merits of the services provided by each carrier. Under these circumstances, it is apparent that a required customer routing procedure would require many customers to make a completely arbitrary choice of routing without adequate information or experience to make this decision.

Moreover, TRT does not believe that such a required customer selection system could be implemented in an unbiased manner, which would be fair to all carriers. As the Commission recognized in its Report and Order and Notice of Proposed Rule Making, procedures would have to be devised for Western Union personnel to inform customers of their routing options. To avoid any favoritism on the part of Western Union, such notification would have to be limited to a listing of the names of the IRC's serving the desired overseas destination. However, even such a listing, we believe, would of necessity bias the selection process. The order of the carriers in the list would be a factor in the customer's selection. Also, an insoluble problem would be presented because of the similarity of the name of Western Union International, Inc. with that of Western Union. If Western Union International were merely listed without qualification, the customer's selection could be biased in its favor. If Western Union International were listed with the qualification that it is not affiliated in any way with The Western Union Telegraph Company, the selection might be biased against that carrier.

Moreover, the customer would in most cases be asked to pick one name out of a list of five company names quickly read to him over the telephone. Under these circumstances he would have difficulty in even remembering the names of all the carriers when making his selection. Thus, most customers would be more likely to remember and select a carrier whose name had a familiar ring to it. In this regard, it is apparent that the selection process would be significantly biased in favor of ITT World Communications Inc. and RCA Global Communications, Inc. because of the public's general recognition of those carriers' corporate parents.

B. Methods for Soliciting Customer Routings of International Telegrams Filed with Western Union.

International messages are accepted by Western Union in three principal ways, via telephone at its CTB's, at its public offices (over the counter and by tieline), and via Telex and TWX. Of Western Union's total unrouted traffic in 1974, 81% was accepted at the CTB's, 15% was accepted at public offices and 4% was filed via Telex and TWX. The procedures for implementing required customer routings would have to be different for each of these acceptance modes.

In analyzing the various procedures which might be required of Western Union for soliciting customer selection of the routing for an international telegram, TRT separated Western Union's services into categories which would require similar solicitation methods. These methods are:

1) Format requirements through an automatic message switch;
2) Printed instructions made available to the customer; and

3) Verbal instructions to customers by Western Union telephone operators and public office personnel

Further, TRT based the analysis which follows on the two assumptions that:

1) Any methods which Western Union might be required to use would be designed, to the extent feasible, so as not to bias the customer's selection of routing; and that

2) Any actual presentation to the customer concerning the requirement for route selection, and particularly where that presentation would be verbal, would for expediency's sake be brief.

C. Methods for Filing International Telegrams with Western Union.

1. Telex/TWX. A Western Union telex or TWX subscriber can file an international telegram by dialing one of the following numbers:

Telex	TWX	Location/Routing
1041	810-621-7800	WU Moorestown/via ITT Worldcom
1042	810-621-7850	WU Moorestown/via RCA Globcom
1043	810-621-7860	WU Moorestown/via Western Union Int'l.
1045	810-621-0477	WU Moorestown/via French Cable Tele.Co.
6044	810-621-0524	WU Moorestown/via TRT Telecom. Corp.
1044	810-621-7870	WU Moorestown/unrouted, unless specifie
6161	910-420-1212	WU Middletown/unrouted, unless specifie

By dialing one of the first five telex or TWX numbers and transmitting the telegram to WU Moorestown, the customer specifies routing for each message filed. If the customer selects telex "1044" or TWX "810-621-7870" and transmits his message to WU Moorestown, the message is considered to be unrouted unless in the message the customer specifies routing via a particular IRC. For all of these numbers, there is essentially no rigid customer format requirement, and WU Moorestown operators manually prepare the WU format for entry into the WU Middletown automatic message switch (Infomaster).

In addition to these numbers, a Western Union telex or TWX subscriber may elect to dial telex "6161" or TWX "910-420-1212" for direct entry of his message into Infomaster. A message filed in this manner is considered to be unrouted unless the customer specifies in the message routing via a particular IRC. The important distinction in this method of filing is that Western Union requires the customer to follow a rigid input message format. If a customer's format does not meet Infomaster's specifications, the customer receives an automatic rejection notice and must correct the format before resubmission.

For all telex/TWX filed messages, Western Union could by changing its handling methods, in effect, require customer routing. For those customers already using Infomaster services, Western Union could change the format requirement to include an appropriate "via" and could reject those messages not specifying routing, for customer correction. Simultaneously, Western Union could eliminate telex "1044" and TWX "810-621-7870", thereby eliminating any unrouted at WU Moorestown. Western Union operators at Moorestown would then insert the "via" and IRC designators in each input message format according to the telex or TWX number dialed by the customer.

TRT believes that these operating changes are feasible and would provide an unbiased method of required customer routing. However, since only 4% of unrouted traffic would be affected, the implementation of these changes would have little effect on total distribution of traffic among the carriers. We therefore believe that there would be little purpose in modifying the *interim formula* to require Western Union to implement those operating changes.

2. Tie Lines and Messenger Pickup. For these services, Western Union could be required to distribute printed instructions for customer use. The instructions might provide a brief explanation of the requirement to route all international telegrams, and then list the customer's IRC options. However, TRT has found no way of presenting clearly the identification of each IRC without biasing the customer's selection. This is particularly true where the name "Western Union International" might lead a customer to think that WUI is the international part of Western Union. Explaining that Western Union International is in no way affiliated with Western Union could have a negative impact. Furthermore, the order of presentation of the IRC's has the effect of biasing one's selection.

Beyond the problems of biased routing selections, TRT foresees that Western Union would incur additional handling problems in those cases where tie line and messenger pickup service subscribers would either neglect or refuse to specify routing on their message copy. In both cases, Western Union would have to contact the customer from the local Western Union office and request a routing. Moreover, it is probable that some customers either would require more information than Western Union could provide, or would simply refuse to take the time to understand the requirement and, therefore, to route the message. In these cases should Western Union be allowed to reject the customer's message? If not, how would Western Union resolve the conflict? Should there be any circumstances under which Western Union personnel would be allowed to designate a routing? TRT frankly has no answer to these and many other questions which could arise in implementing required customer routing for such traffic.

3. CTB's and Public Offices. Western Union customers may file international telegrams by dialing a toll-free telephone number, or by walking into a public office. In both cases, the customer comes into direct contact with Western Union operators or office personnel, and in both cases any instructions which might be given by Western Union personnel relating to message routing would likely be verbal. For the reasons expressed above, TRT submits that there is no procedure which could be adopted to inform the customer of his routing options which would adequately explain the requirement and alternatives for routing without biasing the customer's selection. Equally significant, TRT does not feel that a sufficient verbal instruction could be incorporated with Western Union's procedures without decreasing operator efficiency and increasing Western Union's handling costs. Also of concern to TRT would be the need for control mechanism which would deter an operator from arbitrarily selecting a routing without taking the additional time and trouble to solicit a customer response.

III ECONOMIC IMPACT OF REQUIRED CUSTOMER ROUTING

TRT is not able to predict the immediate economic impact of required customer routing on the various IRC's. The landline haul cost which would have to be borne by all carriers and eventually by the public would doubtless increase significantly because of the additional operator time that would be required by Western Union in accepting international traffic under any required customer routing procedures. Since the customer's solicitation of routings would depend more on name identification than on the relative merits of the services provided by the various carriers, it is difficult to predict the extent of any shift in traffic among the various IRC's under required customer routing from that provided for under the interim formula or under the presently effective formula. However, as discussed above, it is clear that the great majority of the present unrouted traffic would be transferred to ITT World Communications Inc., RCA Global Communications, Inc. and Western Union International, Inc. because of the greater recognition by the public of the names of those carriers in association with the activities of their parent companies or of The Western Union Telegraph Company.

We also believe that there would be substantially less incentive for competition under required customer routing than under the interim formula. Under the interim formula the carriers will be rewarded for their competitive efforts by receiving unrouted traffic in proportion to specifically routed traffic. Under required customer routing, on the other hand, the present unrouted traffic will be arbitrarily distributed for the most part in proportion to the degree of corporate name identification of each carrier on the part of the public.

As discussed previously, required customer routing would not result in massive efforts on the part of the IRC's to capture the business of infrequent users. The unrouted international message telegraph market is clearly not large enough to justify a massive nationwide advertising campaign directed at increasing the carrier's corporate name identification with the general public. Moreover, in TRT's case, it could not hope to match the advertising budgets of the parents of ITT and RCA. Also, TRT is aware that it could not by any amount of advertising replace Western Union in the minds of the general public as being synonymous with the telegram.

Accordingly, under required customer routing, TRT's advertising and solicitation efforts would continue to be directed toward that small portion of the public which can be identified as regular users of international telegraph message service. Its competitive incentive would be less than under the interim formula, however, since the present unrouted traffic filed by infrequent users would be distributed by an arbitrary customer solicitation process which would have no relation to its competitive efforts.

IV CONCLUSION

WHEREFORE, TRT requests the Commission to dismiss this proceeding, insofar as it contemplates a possible prescription of required customer routing. TRT further requests the Commission to require the prompt implementation of the interim formula to be applicable until such time as it should be amended in a subsequent proceeding in accordance with the requirements of Section 222(e)(3) of the Communications Act.

Respectfully submitted,
TRT TELECOMMUNICATIONS CORPORATION

BY: J. Robert Moman
J. Robert Moman

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April 2, 1976

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Cynthia A. Martell

April 2, 1976

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act	)	Docket No. 19660 RM-690

To: The Commission

COMMENTS OF THE WESTERN UNION TELEGRAPH COMPANY

The following comments are submitted by The Western Union Telegraph Company (Western Union) in response to the Report and Order and Notice of Proposed Rule Making (FCC 75-1430) adopted by the Commission on December 22, 1975 and released on January 7, 1976.

Introduction

In its Order of January 7, 1976, the Commission found that the existing formula for the distribution of unrouted international cablegram traffic "represents a market-sharing device which is by definition antithetical to the free flow of competition which Congress sought to encourage and enhance";

that for this and other reasons the "present method of distribution embodied in the international formula is unjust, unreasonable, inequitable, and not in the public interest"; and that the present formula should therefore be repealed and replaced--at least for an interim period--by a new formula which eliminates existing "distortions" in distribution patterns and which allocates "unrouted traffic among the IRCs in the same proportions as each carrier handles routed traffic" (Order, pp. 2-3).

The Commission further tentatively concluded "in principle" that it "should proceed in th[e] direction" of requiring customers to specify particular routings for all cablegrams. The Commission acknowledged that the parties had not yet "addressed the legal or economic issues raised" by such an all-routed solution and that it was "[c]onsequently . . . unable at this point to determine the extent of the economic burden which would result from a requirement for specified routings or the proper sharing of that burden between WU and the IRCs" (Order, p. 27). In order to "gather the information . . . need[ed] for decision, the Commission directed the parties to file comments which discuss, inter alia, the "implications of an all routed approach" (Order, p. 28).

The caution manifested by the Commission in its Order appears to us to have been well-advised. Although Western Union had earlier supported a requirement for specific routings, further reflection and analysis have convinced us that such a course would very likely prove to be unworkable, and, that at best, an all-routed solution would be difficult and very expensive to administer. We, of course, apologize to the Commission for having endorsed the all-routed approach earlier in this proceeding. However, our error would be compounded if we failed to apprise the Commission of our present views, which were arrived at after more careful consideration.

We now believe that the public interest would be better served if the Commission continued in effect the present formula mode (either as embodied in the interim formula or any other suitable formula) of distributing international cablegram traffic. If the formula approach is retained, Western Union could -- pursuant to plans already in effect (and discussed at pp. 15-18 infra) -- provide for the automated distribution of cablegram traffic through its InfoMaster computer. Formula distribution by means of a computer would be quicker, more evenhanded, and far less expensive than the all-routed solution being considered by the Commission.

We discuss below, in Part I, some of the serious problems inherent in a requirement for specific routings and compare the characteristics of this approach to the approach Western Union believes to be far preferable -- i.e., the automatic distribution of traffic pursuant to a formula.

In Part II, we explain the steps we have taken and intend to take in order to computerize the task of tallying and routing cablegram traffic to the IRCs.

I.

THE PUBLIC INTEREST WOULD BE BEST SERVED BY PERMITTING WESTERN UNION TO CONTINUE TO DISTRIBUTE INTERNATIONAL CABLEGRAM TRAFFIC TO THE IRCS BY MEANS OF A FORMULA

A. It Would Be Difficult to Prescribe Instructions Under an All-Routed Approach

If a requirement for customer routings is placed in effect, it would be necessary, according to the Commission, to issue "suitable instructions and operating arrangements, agreeable to all concerned . . . to guide Western Union in presenting the public a mandatory choice among the IRCs" (Order, p. 28). Without such restraints the Commission found there exists the possibility that "prejudice will result" (Order, p. 27). The Commission, however, declined to specify, or to suggest, appropriate guidelines for Western Union on the grounds that "the information . . . before [it was] insufficient to prescribe those instructions and operating arrangements" (Order, p. 28).

Western Union does not have any better information on this matter than the Commission. Nevertheless, from our vantage point it appears that it would be difficult to formulate an appropriate set of guidelines and that, on balance, retention of a formula approach would better serve the public interest.[*] For example, consider the following problems:

- When informing a customer of the names of the different IRCs whose services are available, which IRC should Western Union list first? Which IRC should it list last?
- Should a Western Union operator be required to inform each customer that Western Union is not affiliated in any way with Western Union International? If this disclaimer is made, it may appear to the customer that we are downgrading WUI's service because we wish to be disassociated from it. If this disclaimer is not made, WUI may obtain an advantage because of confusion on the part of a customer resulting from the similarity in names. ITT has already complained about the "competitive advantage derived by WUI from this name similarity. . ." (ITT Opposition to Petition for Reconsideration, p. 7, filed February 27, 1976). See also, RCA's brief to the Second Circuit (filed February 25, 1976) in support of its motion to

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[*] In its Order the Commission stated that "we expect the parties during this period [the interim formula is in effect] to work out mutually-agreeable procedures for implementation of the all-routed distribution system so that we can avoid later controversy on this point." (Order, p. 28.) Given the conflicting interests of the various IRCs, we see no chance that the Commission's "expectation" here will be fulfilled.

the court to stay further proceedings in this case, p. 24, footnote.

- If the customer specifically asks our operator if all of the IRCs provide equally good service, what answer would be appropriate? It would not be correct to respond affirmatively, since, obviously, different IRCs cannot be "equally good" at all times and on all routings.

- If the customer--in an attempt to make a rational choice between IRCs--asks for information as to which IRC is the most efficient carrier or which IRC has the best completion record, what factual material should the operator refer to which could be helpful to the customer?

The difficulties enumerated above illustrate (1) that one or more of the IRCs is almost certain to be dissatisfied no matter how Western Union's operators inform customers of their available alternatives and (2) that the mechanical difficulties inherent in an all-routed approach are likely to outweigh the benefits of such an approach.[*] These problems will be aggravated by the complexity of the marketing structure for cablegram service. It would be quite difficult for an inexperienced customer to understand -- on the basis of a short telephone conversation -- that Western Union is not the only carrier handling his message; that Western Union can only handle cablegram traffic domestically; that Western Union must turn over his message to one of several international carriers at selected gateway cities; and that the international carrier, in turn, must transfer the message to a foreign carrier for final delivery.

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[*] We should like to stress that these difficulties do not stem from any selfish interest on the part of Western Union--which, if present, could be dealt with by appropriate rule or order--but rather from the competing (and legitimate) interests of the various IRCs and the arbiter's role conceived for Western Union.

By contrast, none of the "instruction" problems enumerated above even arise if a formula is retained. A formula approach would enable Western Union to route traffic to the IRCs quickly and automatically and, as we show next, at much lower expense.

B. The Cost of an All-routed Approach Would Be Prohibitive

It is impossible to determine the precise cost of implementing an all-routed approach. Necessary information is simply not available.*/ However, even a cursory examination of the problems involved reveals that the cost of requiring customers to specify routings will be completely out of line with any possible benefits to be derived from such an approach and far more expensive than a continuation of a formula mode of distributing international traffic.

At present, approximately 3 million cablegrams a year -- over three-fourths of the total cablegram traffic originating on Western Union's system -- are not routed by the customer via a particular IRC (Order, p. 11). As the Commission recognizes, it will be necessary to reduce the number of unrouted telegrams through "expanded" IRC "solicitation efforts" if the "customer routing system [is to] work smoothly and efficiently" (Order, p. 27).

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*/ We would note that in its January 7 Order the Commission itself did not attempt any analysis of the costs required to implement an all-routed approach.

However, apprising consumers of the supposed benefits of sending traffic via a particular IRC will obviously not be an easy or inexpensive task. Although Western Union has not performed any recent marketing studies in this area, our experience indicates that a substantial percentage of the cablegrams handled by Western Union are sent by smaller users, who might typically send one or two or perhaps six cablegrams a year. Larger users who have substantial overseas record requirements could generally be expected to rely upon telex or even private line service.

Our understanding here is shared by ITT and RCA. ITT has advised the Commission that "The simple fact . . . is that the preponderance of the remaining unrouted traffic is believed to be 'social' traffic which is characterized by very infrequent transmissions per user." (ITT Opposition to Petition to Stay, p. 7, filed February 23, 1976.) Similarly, RCA stated in a brief to the Second Circuit in support of its stay motion (p. 24, footnote) that

> "We think it likely that an adequate examination . . . would show that the originators of most unrouted telegrams are infrequent international communicators who are not familiar with, and who have scant reason to be concerned with, the intricacies of international telecommunications. It is not clear what efforts of salesmanship could reach such persons or, if they were reached, could articulate differences between the IRCs which would be meaningful for their limited purposes."

Any attempt to reach occasional cablegram users and acquaint them with the merits or demerits of the various IRCs to the point where they feel compelled to specify a particular routing would require, as ITT has stated, "an extensive and expensive nationwide advertising campaign . . ." (ITT Opposition to Petition to Stay, p. 7). RCA takes a similar position and estimates that the new advertising campaign "expected" by the Commission would "lead . . . to millions in new costs " (Petition for Stay, p. 6, filed February 11, 1976). It further states that its own solicitation expenses would increase "dramatically" by $342,600 a year "if it is seriously going to try to effectively reach users in the hinterland who do not now route and who number in the hundreds of thousands" (Petition for Stay, p. 13).*/

While we cannot verify RCA's figures, it is apparent that nothing much could be accomplished in terms of "educating" the many thousands of small and widely dispersed users throughout the country unless expenditures of upwards of $1 million per annum are made and that any real attempt to decrease the number of customers sending unrouted cablegrams will probably require an advertising campaign costing substantially in excess of this figure.

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*/ The only difference between ITT and RCA on this point is ITT's claim that RCA and the other IRCs will not actually spend the additional funds necessary for a new advertising campaign. We believe that ITT is correct here. (See pp. 13-14, *infra*.)

In addition to these advertising or solicitation expenses, substantial expense will be incurred in administering an all-routed solution. Here again, precision is not possible. However, cablegrams are generally received by Western Union at its centralized telephone bureaus (CTBs) and we can reliably estimate that calls to these CTBs cost Western Union 45¢ to 50¢ per minute. Even if it is optimistically assumed (a) that the IRCs can halve through solicitation the number of unrouted cablegrams and (b) that it will take only an average of 90 seconds to explain the choice between IRCs to the remaining customers, this would still mean that an all-routed approach would involve over $1 million in administration expenses alone.*/ Thus, the total cost for advertising and administration would exceed -- probably by a substantial amount -- $2 million annually.

This is several times the cost of distributing cablegram traffic by means of a formula. At the present time, Western Union sorts and tallies cablegram traffic manually at its Minneapolis reperforator center. It is estimated that under the new interim formula these operations, if they continue to be performed manually, will cost approximately $474,000 a year. Moreover, although this expense is less than a quarter of the cost of an all-routed solution, it can be reduced substantially if -- as Western Union intends -- the distribution function is computerized and handled automatically.

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*/ *I.e.*, 1.5 million cablegrams x 1.5 minutes per cablegram x $.45 per minute equals $1,012,500 per annum.

As described in Part II, on April 15, Western Union Information Services (a wholly-owned subsidiary of the Western Union Corporation, the Telegraph Company's parent) will begin the programming work necessary to automate the distribution of cablegram traffic. By November 27, 1976, Western Union's InfoMaster computer will have the ability to tally and route to the correct IRC all cablegrams which do not contain errors in format or routing information. Thereafter, by April 1, 1977, Western Union will also have the ability to correct such errors and return them to the computer to be handled automatically. (See, pp. 17-18, *infra*)

Automation will cost approximately $350,000. After it is complete, however, the cost of distributing traffic in accordance with the new interim formula would probably not exceed $50,000 a year.

Let us assume, for purposes of illustration, that the $350,000 cost of automation is amortized at a rate of $50,000 a year. If this $50,000 capital cost is added to the $50,000 annual operating expense, the total cost of $100,000 required under the formula approach would be less than 5% of the $2 million annual cost of having each customer specify a particular routing.

C. The IRCs Have No Incentive to Expend the Substantial Funds Necessary to Familiarize Cablegram Users with Their Services

As already noted (p. 8), the Commission found that the continued "failure" of the IRCs to reach those users who do not choose to specify routings "may prevent the efficient operation of a customer routing system . . . (Order, p. 27). The Commission stated, however, that it "expected" the IRCs to eliminate any recognition problem "by expanding their solicitation efforts." (Order, p. 28.)

Any assumption or "expectation" that the IRCs would expand their solicitation efforts appears to us to be completely groundless. Certainly there is no incentive for the IRCs to expend substantial sums advertising their cablegram service in order to attract hinterland customers who do not now specify routings.

On the one hand, the available market is limited and unenticing. Only 3 million unrouted cablegrams were sent in 1974 and the total revenues for these messages amounted to only about $7.5 million.[*] The number of cablegrams sent has also declined in recent years (See RCA Comments in this proceeding, filed July 8, 1974, p. 13.) and it is unlikely that this service is now very profitable.*/

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[*] This $7.5 million figure was derived by multiplying total cablegram traffic revenues of both Western Union and the IRCs for 1974 ($21,486,392) by the percentage of unrouted traffic (35%). (See Order, p. 11.)

On the other hand, for reasons explained earlier (pp. 8-10), it will be extremely difficult for the IRCs to induce a substantial number of customers to specify routings. The small and widely dispersed users of cablegram service cannot be "educated" or even reached without an expensive nationwide advertising campaign.

Thus, any reasonable cost-benefit analysis clearly would deter the IRCs from undertaking a substantial expansion of their existing solicitation efforts for cablegram traffic. ITT has already taken the position that expenditures for this purpose would be "highly imprudent." (ITT Opposition to Motion to Stay, p. 7, filed February 23, 1976). Thus, ITT stated that cablegram users who do not specify routings

> "simply are not considered reachable by ordinary IRC marketing efforts. In order to establish a 'carrier consciousness' among those users would require an extensive and expensive nationwide advertising campaign which, it is submitted, cannot be justified based on any reasonable expectation of increased traffic." (ITT Opposition, p. 7.)

It is inconceivable to Western Union that the other IRCs would

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*/ RCA, for example, has repeatedly complained that cablegram service no longer yields a fair rate of return. (See, *e.g.*, RCA Application for Review filed October 20, 1975 (*In the Matter of TRT Telecommunications Corp.*, File No. I-T-C-2462-9)).

reach a different conclusion.[*]

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For the reasons described above, the adoption of a requirement for customer routings cannot be considered to be in the public interest. By any reasonable standard of comparison, such an all-routed solution is far inferior to the present formula concept of distributing cablegram traffic.

Although the matter is not entirely clear, the Commission's tentative selection of an all-routed approach, appears to be based on the assumption that this solution would somehow maximize "customer choice." (See Order, pp. 3, 27.) If this is indeed the Commission's view, it does not appear to us to be sound.

Freedom of choice is available to cablegram users under the existing formula mode of distribution. A customer can specify any available IRC to carry his traffic overseas. He can also choose not to specify a particular IRC. Although we have no quarrel with the idea that a customer should be allowed freedom of choice, we believe that there is little to be gained in forcing him to exercise this choice. A refusal to respect the customer's decision not to make a selection here is faintly reminiscent of the attitude of the Boy Scout who insisted upon helping an old lady across the street even though she didn't want to go.

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[*] TRT stated in its Opposition, p. 6 (filed February 23, 1976), to RCA's stay motion that it "does not intend to increase its marketing budget as a result of the Commission's Decision," but that it will "redirect its marketing efforts to place greater emphasis on the solicitation of public message traffic." TRT does not indicate the extent of this "redirection." We cannot believe, however, that TRT seriously intends to shift a substantial portion of its advertising budget away from highly lucrative telex traffic to far less lucrative public message traffic.

We would also note our view that the reluctance of customers to specify routings is entirely understandable. Occasional users of the IRCs service would have no rational basis for selecting the "best" IRC.

II.

WESTERN UNION INTENDS TO AUTOMATE THE DISTRIBUTION OF CABLEGRAM TRAFFIC AS SOON AS POSSIBLE

Shortly before the Commission issued its January 7 Order, Western Union had completed plans -- based on then known requirements -- to enhance the capabilities of its InfoMaster system by adding a CRT (cathrode ray tube) Traffic Director which would perform the following functions for cablegram and telex/TWX traffic:

1. Interception of Errored Telex/TWX Traffic -- The Traffic Director would be used to intercept and correct errored cablegram and telex/TWX messages that are input daily from telex/TWX stations directly into the InfoMaster computer.

2. Telex/TWX International Outbound Relay -- The CRT Traffic Director would take over the international outbound cablegram message refile center at

Moorestown and provide for a more efficient method of handling the refile function.

3. International Outbound Routing Assistance -- The Minneapolis reperforator center which presently handles the international cablegram distribution function would be phased out and cablegrams would be sent instead to the CRT Traffic Director where they would be flashed on a CRT screen so that they can be tallied and routed by CRT operators. Although the CRT screen would not eliminate the need to distribute cablegrams manually, it would make such traffic easier to handle.

Since the Commission had not yet issued its January 7 order when these original plans were made, Western Union assumed that the CRT Traffic Director would handle the traffic now handled by Minneapolis based on distribution requirements for the formula now in effect. As Western Union explained in an earlier Motion for an extension in this proceeding (filed February 19, 1976), under the existing formula most unrouted traffic to exclusive points is already being distributed automatically through the InfoMaster computer. Such automatically allocated exclusive traffic presently accounts for about half of the total unrouted traffic Western Union receives. Accordingly, only the remaining half of the unrouted cablegram traffic would have had to be flashed on CRT screens and sorted manually.

The new interim formula, however, eliminates "exclusive" points and requires that all 59,000 unrouted cablegrams received each week be Western Union be sorted and tallied manually. In addition to doubling the number of messages to be handled in Minneapolis, the sorting and tallying process would become more complex because

(a) The number of separate overseas destinations would be increased from 34 to 195, and

(b) The messages themselves would have to be tallied in multiples of 100, whereas, at present, messages are tallied on the basis of simpler ratios.

The increased volume of the traffic to be handled manually and the increased complexity of the sorting process almost doubles the cost of distribution. As noted earlier, Western Union estimates that under the interim formula manual sorting and tallying of cablegram traffic would require an expense of approximately $474,000 annually.

Because of this substantial increase in the expense for manual handling, it has become increasingly apparent that the best approach for all concerned would be to automate the distribution of cablegram traffic as soon as possible by routing it through the InfoMaster computer. Once computerized, the more complex formula proposed by the Commission would pose no special problem. In order to obtain the necessary capability of handling cablegram traffic automatically, Western Union decided to modify its original CRT Traffic Director plan and pursuant to revised arrangements recently concluded with Western Union Information Services, that company will undertake, beginning April 15, 1976, to develop the programs necessary to route cablegram traffic through the InfoMaster computer.

We expect that the first stage of this work will be completed by November 27, 1976. After this date, Western Union will be able to route and tally automatically all cablegrams which do not contain errors in format or routing information. Unrouted messages containing such errors will be diverted to the CRT Traffic Director and flashed on a CRT screen. If it is possible to discern the correct destination and addressee for such cablegram despite any error, the cablegram will be routed manually to a specific carrier by the CRT operator in accordance with the formula. Such manual routing would, of course, require that a separate tally be kept for errored traffic.

Automation is scheduled to be completed by April 1, 1977. On this date operators will have the ability to correct format or routing information errors in cablegrams as they appear on CRT screens. After being corrected, the messages will be sent back to the computer which will sort and tally them in the same way it handles other unrouted traffic.

We recognize that the entire question of allocation of cablegram traffic to the IRCs is now in a state of flux and that it might, therefore, be suggested that Western Union wait until all the issues in this proceeding have been resolved by the Commission before expending substantial funds on an automation program. However, we believe, on balance, that the most sensible alternative available to Western Union is to proceed to automate the handling of cablegram traffic without further delay. In reaching this conclusion we have relied upon the following considerations:

1. The installation of the CRT Traffic Director, a project to be undertaken regardless of the outcome of this proceeding, will require significant changes in existing InfoMaster

computer software. There will be a savings of both time and money if automation of the cablegram distribution function proceeds at the same time these other changes are being made. We would estimate that to delay automation for even six months would increase the cost of the work to be done by from $50,000 to $100,000 and expand the time for completion by several months over and above the initial delay period. Thus, waiting until matters are resolved here could result in additional cablegram distribution costs which could perhaps amount to about $500,000.*/

2. Even if--contrary to views expressed herein--the Commission decides in favor of an all-routed approach, we do not believe that it can implement that solution within the near future. The Commission noted that the "smooth and efficient" operation of the all-routed approach requires that the public become familiar with the IRCs' services so that they can rationally exercise the choice between IRCs which they will be required to make. The Commission explained that it would rely upon the IRCs to increase their solicitation efforts to promote a greater awareness on the part of the public of the

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*/ Let us assume that the matters herein are finally resolved nine months from now and that the Commission decides to retain the interim formula as a permanent means of distributing cablegram traffic. This would mean that automation of the distribution function would cost at least $50,000 more and that it would be delayed for approximately one year. During this one year period, cablegram traffic would have to be sorted and tallied manually at a cost of approximately $474,000. The only offset would be approximately $50,000 which would continue to be required to operate after automation. Accordingly, the net loss would be about $474,000.

competitive alternatives available. Obviously, as has already been discussed, this task cannot be accomplished overnight. The best that could be hoped for here is that the public could be "educated" after an interval of several years. The Commission appeared to recognize the long-term nature of the interim formula by specifying in Paragraph V of the formula that quotas should be recalculated at six month intervals.

Since the cost of handling traffic manually pursuant to the interim formula is $474,000 a year and since this can be reduced to only $50,000 per year through automation, the total $350,000 cost of automation would be more than offset within a single year. Thus, if the interim formula is in effect until April 1, 1978--a total time period of less than two years--it will have proven cheaper to automate than to continue to handle traffic manually. Given the problems involved in implementing an all-routed approach, the odds certainly favor the interim formula lasting at least that long.

In its order the Commission "agree[d] with WU that it should be reimbursed for the reasonable costs it incurs in effecting distribution . . ." (Order, p. 30). The Commission further stated "We see no reason why WU cannot automate the handling of traffic under the new formula if it believes that will be in its interest" (Order, p. 30). In view of these statements and in view of all the other factors involved, Western Union believes it has made the correct decision here. If the IRCs believe otherwise, they should immediately inform the Commission of their views so that the Commission can review our action here. We are open to any reasonable approach which may be suggested. Our primary concern is that no question arise as to our right to recover all reasonable expenditures incurred by us in order to route traffic to the IRCs. As the Commission's order makes clear, we are entitled to this protection.

CONCLUSION

For the foregoing reasons, Western Union respectfully requests that the Commission continue to require the traffic be distributed to the IRCs through a formula.

Respectfully submitted,

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April 2, 1976

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Before the
Federal Communications Commission
Washington, D. C. 20554

In the Matter of	)	
	)	
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed Under Section 222 of the Communications Act.	)	Docket No. 19660 RM-690

TO: The Commission

REPLY COMMENTS

RCA Global Communications, Inc. (RCA Globcom) hereby submits its reply comments on the proposal set forth in the Commission's Report and Order and Notice of Proposed Rulemaking, FCC 75-1430, (Order) which would require all international telegrams originating on The Western Union Telegraph Company (Western Union) system to be routed by the sender. It is apparent after receiving the comments of the other carriers interested in this matter that there is almost unanimous agreement* that the all-routed proposal has serious patent defects in that it would ad-campaign. We believe that ITT is correct here. (See pp. 13-14, infra.)

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*Only Western Union International, Inc. supported the all-routed proposal for the obvious reason that it alone will unjustly benefit as explained below.

versely affect both the public and the carriers by greatly increasing costs, delaying service and adding to user confusion.

In view of the defects of the all-routed proposal, it is equally apparent that it will not be prescribed by the Commission. This being so, the Commission must reexamine and reverse its proposed repeal of the presently effective formula and the prescription of the interim formula. As explained below, the only stated basis for the interim formula was to act as a bridge from the present formula to the all-routed concept. Given the defects outlined below and the consequent elimination of the all-routed proposal as a feasible end point for the Commission, the entire rationale for the interim formula falls.

The All-Routed Proposal Should Not Be Prescribed By The Commission

RCA Globcom, Western Union, ITT World Communications Inc. (ITT), and TRT Telecommunications Corporation (TRT) reached the same conclusion with respect to the Commission's proposal--the public interest will only be adversely affected by its prescription. When it is considered that each of these carriers have differed widely in previously filed comments on how, if at all, the present formula should be changed, the Commission should give great weight to this consensus. The three main points made by the carriers were:

1. Extremely Large Advertising And Soliciting Costs Would Be Incurred.

In its comments, RCA Globcom stated that, based on its long experience in the telegram field, it had found unrouted telegrams (which comprise 77% of the Western Union originated traffic*) are sent for the most part by people who use the service only once or twice a year for social purposes such as notifying relatives of births, deaths and other sporadic events. The market was further described as being spread geographically throughout the United States. ITT, Western Union, and TRT agreed with this description. The combination of these two factors, i.e. sporadic use and wide geographical distribution of users, would make advertising and solicitation campaigns directed at the business of such occasional users extremely costly.

2. Unreasonable Burdens Would Be Placed On Western Union.

Regardless of whether the international carriers actively solicit the occasional users of international telegram service, Western Union would continually be placed in the position of explaining to a large percentage of users that the Commission requires that they must select one of several international carriers to handle their international telegram. As described in Western Union's comments, it would be difficult, if not impossible, to formulate an appropriate set of guidelines which would govern the manner in which Western Union explained to these customers the need for routing. Moreover, impractical as it may be to formulate the guidelines, it would be impossible to assume that clerical employees could properly communicate them to frequently impatient and unconcerned filers. The conclusions are that one or more of the international carriers is almost certain to be dissatisfied no matter how Western Union's clerical force informs customers of their available alternatives and that the mechanical difficulties inherent in the all-routed approach will far outweigh any conceivable benefits of such an approach. These "instructional" problems, as Western Union stated, would not exist if any formula were retained that provided for the distribution of unrouted traffic.

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*See the Commission's Report and Notice of Proposed Rulemaking, FCC 75-1430, released January 7, 1976, at p. 12.

RCA Globcom agrees with the assessment concerning "instructional" problems as presented by Western Union. There is no practical way which would permit Western Union to explain all the relevant facts in an unbiased manner to an individual who may be uninterested in which overseas carrier handles the international carriage of the telegram. These questions of practicality also must be considered in the context of the additional costs that they will impose on Western Union and eventually the international carriers, which Western Union estimates would involve over $1 million in administration costs alone.

3. Western Union International Would Receive An Unjustified Benefit.

The third item on which ITT, TRT, Western Union, and RCA Globcom agree is that the implementation of the all-routed approach would give Western Union International an unjustified benefit as a result of the similarity between its name and Western Union's. ITT quite accurately summarizes the problem in this manner: "Regardless of how the two carriers may feel as to their distinctions and differences, the generally unsophisticated, infrequent filing, unrouted user is not likely to appreciate what to him would be highly subtle legalistic distinctions. He is probably conditioned to the view that the words 'telegram' and 'Western Union' are basically synonymous." Page 7.

RCA Globcom's experience has been that there is confusion on the corporate relationship between Western Union and Western Union International even among some of the more knowledgeable users of international communications.* Thus, on the basis of all the information available to RCA Globcom, the implementation of the all-routed concept would create an unfair competitive situation in favor of Western Union International.

In assessing the validity of this point, it must be emphasized that only Western Union International supported the all-routed proposal. It must be assumed that its position was the result of an evaluation which indicated that the implementation of the all-routed proposal would benefit it more than the other carriers because of the identification of the name "Western Union" with "telegram".

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*As noted in our last comments, a market survey conducted among 1,031 telex operators and communications managers in the gateway cities and in 18 nongateway cities in January 1973 by Palshaw Measurement, Inc. of Southport, Connecticut results showed that 40 percent of the respondents who said that "Western Union" was the carrier they used did not know whether it was the domestic or international carrier and 4 percent felt that it meant only the domestic carrier notwithstanding that the original question addressed itself to international carriers only.

It is also significant that one of the two conditions which Western Union International would have imposed, if the all-routed proposal were accepted, is that the full name of the international carriers be used when advising the public of the list of available carriers. While, ostensibly, Western Union International states that this condition would avoid an unfair advantage accruing to ITT or RCA Globcom, it is apparent upon examination that the real beneficiary is Western Union International.

Clearly, if a customer is to be influenced by the use of "ITT" or "RCA", it would make little difference whether those words stood alone or were part of the full name of the respective carriers. On the other hand, the abbreviation of Western Union International, WUI, would be much less identifiable in the minds of the public. By requiring the full name of its company, it simply reinforces the confusion that exists. Again, to the average occasional user, telegram means "Western Union" and whether the word "International" is added or not will not change this impression.

The All-Routed Proposal Would Not Yield Any Benefits To The Public

Western Union International stated in its comments that "the result of the proposed routing may very well be increased efforts by all carriers to improve existing services and to innovate new services." Page 3. This is totally unsupported by any facts and, most significantly, is directly contrary to all of Western Union International's prior comments. For example, Western Union International has said in connection with other changes in the existing formula that:

> All carriers operating under the Formula are successfully and efficiently transmitting the traffic the Western Union Telegraph Company (WUTelCo): procedures for distributing unrouted messages are operating satisfactorily and without undue delay in most instances . . . .Comments of Western Union International, Inc., July 8, 1974, page 2.

and

> Consequently, the question that is before the Commission in this proceeding is solely concerned with how the unrouted message pie shall be sliced; not whether or not the public will benefit from a change in the formula. Whatever the Commission decides, service to the public will not be improved in the least. In fact, an abrupt change in the pattern of distribution of unrouted traffic may well impair service to the public, if as a result some carriers receive more traffic than they are set up to handle and other carriers have capacity which becomes idle. Reply of Western Union International, Inc., August 16, 1974, page 2. (Emphasis added).

and

> [E]very carrier has strong incentives to increase its grade of service as much as possible, so as to foster a net increase in traffic. Reply of Western Union International, Inc., August 16, 1974, page 8.

We submit that Western Union International's present position on service improvement can only be reconciled with its past statements in one way--it recognizes the bias in the all-routed proposal in its favor.

The Commission Should Reexamine And Reverse Its Proposed Action On The Interim Formula

The Commission in its December 22, 1975 decision found that the public interest would be best served by allowing the public to make its own decisions as to the international carrier used to carry the telegram overseas. While the Commission's ultimate objective was the all-routed proposal, it did not prescribe that plan because it stated that the record then before it was inadequate. Instead, it prescribed an interim formula which presumably was to act as a bridge between the presently effective formula and the all-routed one before its prescription.*

We submit that now that the all-routed proposal has been demonstrated to be totally unworkable, the Commission is left with a bridge to nowhere. Indeed, the basis for the bridge, i.e. the interim formula, was so completely founded in the all-routed proposal that the demise of one must also bring the end of the other. Therefore, RCA Globcom believes the Commission must reexamine its position on the interim formula in the light of the comments filed on the all-routed proposal. After such reexamination, it should reverse its proposed action and permit the existing formula to continue.

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*The Commission, among other things, stated:

> We expect that the IRCs will use this period to expand their solicitation efforts, so that the customer routing system will work smoothly and efficiently. Further, we expect the parties during that period to work out mutually-agreeable procedures for implementation of the all-routed distribution system so that we can avoid later controversy on this point.

Respectfully submitted,

RCA GLOBAL COMMUNICATIONS, INC.

s/Francis J. DeRosa

s/Carl J. Cangelosi

Its Attorneys
60 Broad Street
New York, New York 10004

May 5, 1976

CERTIFICATE OF SERVICE

I, Audrey Gadson, hereby certify that on this 5th day of May, 1976, I mailed a copy of the foregoing document by United States mail, postage prepaid, to the following:

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(Counsel for TRT Telecommunications Corp.)

s/ Audrey Gadson

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of)
)
International Record Carriers' Scope of) Docket No. 19660
Operations in the Continental United) RM-690
States, including possible revision to)
the Formula prescribed under Section 222)
of the Communications Act.)

To: The Commission

REPLY COMMENTS

ITT World Communications Inc. (ITT Worldcom) hereby submits its Reply Comments respecting the Commission's proposal to require, at some point in the future, that all outbound international telegraph message traffic filed with The Western Union Telegraph Company (Western Union) be specifically routed by the sender via one of the international record carriers (IRCs).

In the initial comments in this proceeding, three of the four IRCs participating in this traffic distribution and Western Union expressed strong opposition to the implementation of an all-routed concept, citing substantially increased costs and administrative burdens which were anticipated, with little if any, attendant public benefit. And, the only carrier which supported the mandatory customer routing concept, Western Union International, Inc. (WUI), would gain, as a result of its name similarity to that of the domestic carrier, such an apparent advantage over other IRCs from the required routing proposal that its support can be dismissed as an exercise in enlightened self-interest.[1/]

While ITT Worldcom reaffirms its willingness to fully cooperate with the Commission in further studies or proceedings directed toward the possible long-term adoption of an all-routed concept, it submits that for the present and the foreseeable future this all-routed proposal has been clearly demonstrated to be unfeasible. The so-called "interim" formula, which is a product of an exhaustive record extending over almost 12 years of proceedings, clearly provides a fair, just and equitable basis for the distribution of unrouted international message traffic filed with Western Union.

[1/] To the extent that WUI raises substantive considerations in support of its position, these considerations are clearly shown to be in error by the initial comments of other carriers, particularly Western Union.

The Commission should effect the early implementation of that formula, by vacating the stay presently in effect, and defer consideration of the all-routed concept until such time as, and if, that concept appears to be administratively feasible.

Respectfully submitted,

ITT World Communications Inc.

John A. Ligon

By: John A. Ligon
Its Attorney
67 Broad Street
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Dated: May 10, 1976

I, Shawn Eames, hereby certify that on this 10th day of May, 1976, I mailed a copy of the foregoing " Reply Comments" by United States Mail, postage prepaid, to the following persons:

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Shawn Eames

Shawn Eames

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

901

In the Matter of)
)
International Record Carriers' Scope of)
Operations in the Continental United) Docket No. 19660
States, Including Possible Revisions to) RM-690
the Formula Prescribed under Section)
222 of the Communications Act)

To: The Commission

REPLY COMMENTS OF WESTERN UNION INTERNATIONAL, INC.

Western Union International, Inc. (WUI) hereby submits its Reply Comments on the proposal of the Commission to require customers filing overseas cablegrams to specify the international carrier of their choice, in accordance with the Commission's Memorandum Opinion and Order released January 7, 1976 (FCC 75-1430).

In its opening Comments, WUI advocated the adoption of the Commission's proposal, and showed that the public interest would be served by requiring all outbound cablegrams to be routed. The other responding carriers raised various objections to the proposal, but none demonstrated that it was impractical or infeasible. On the contrary, it is WUI's view that it is not only practical but will provide significant long term benefits to the public.

Required Routing is Technically Feasible

There are three principal classes of originators of outbound cablegrams filed with the Western Union Telegraph Company

(WUTelCo). These are: (a) Telex and TWX subscribers; (b) patrons desiring to file over the counter; and (c) patrons who prefer to file cablegrams by telephone. It is clearly possible and convenient for each class of customer to specify their choice of carrier. Additionally, of course, the public may file cablegrams directly with the international record carriers (IRCs).

A. Telex and TWX Subscribers. These subscribers are already permitted the choice of calling either WUTelCo or the IRC's to file cablegrams. This choice can and should be maintained under the Commission's proposal, while ensuring that all messages filed by such subscribers will be routed. In order to accomplish this goal, it will be necessary simply to permit filing with WUTelCo only over telex and TWX access numbers which reflect the subscriber's choice of carrier. The appropriate mechanism already exists in the "1040" series of telex and TWX numbers, which provide access to WUTelCo's International Message Center at Moorestown, N.J., for ultimate transmission to the IRC's. By dialing 1041, 1042, 1043, 1045 or 6044, or equivalent TWX numbers, each of which is specific to one of the IRC's, a subscriber can file a message which is deemed routed by reason of selection of a particular carrier's number. See Western Union Telegraph Co., 11 FCC 2d 946 (1968).

In order to implement the Commission's policy, it would only be necessary to eliminate the two telex numbers which permit the filing of unrouted messages, 1044 (to Moorestown) and 6161 (to Middletown, Va.--WUTelCo's computer center), along with the associated TWX numbers. So long as a mechanism for filing unrouted messages remains, the goal of fully routed traffic will be difficult to achieve, since many subscribers will use the easy path which does not require a decision.

The result of elimination of the "no decision" path would be that WUTelCo subscribers would automatically be required to specify their choice of carrier. Any subscriber who has not chosen a carrier would in most instances consult the WUTelCo Telex directory, which would list the numbers corresponding to each carrier. The directory would also display the advertisements of the IRC's, thus providing the subscriber with information on which to base a choice.

Until subscribers are aware of the requirement of dialing a specific telex or TWX number for the selected IRC, it may be necessary for an interim period to advise subscribers who dial 1044 or 6161 that they must choose a carrier, either by filing directly with an IRC or dialing the appropriate "1040" number. The computer would be programed to list the carriers providing service, together with the telex or TWX numbers for direct access or through WUTelCo's International Message Center.

A requirement to eliminate the 1044 and 6161 numbers would not only achieve the Commission's objective of required routing for this class of originators, but would have additional benefits to the public. To file a cable through this port, the subscriber must follow a rigid format in which every element of the message must be typed in the exact form and exact sequence specified. See pages 40 and 64 of the WUTelCo Telex Directory. If any error is made in this format, the message is automatically rejected and the subscriber must try again. In contrast, messages filed with WUI or the "1040" series of telex numbers are subject to far less rigorous requirements. For example, under WUI's simplified format the only requirements are for the address, class of service and end of message indicator.

Additionally, messages entered into the WUTelCo system by the 6161 number which contain errors other than format errors, such as garbled texts, are switched automatically by the computer, with no attempt to correct the garbling or other error, or to contact the customer. The result often is the transmission of a message which may not accomplish the purpose of the subscriber and the customer suffers the consequent expense and delay. Messages which are filed with the 1040 series can be checked for such errors and corrected at an early point.

B. Filing in Person. Persons desiring to file messages over-the-counter at WUTelCo's public offices can easily and simply be informed of the requirement of routing. To ensure that the public makes an informed choice, WUI suggests that each member of the public submitting a message that has not been pre-routed be given a brief pamphlet containing descriptions of the available carriers. This pamphlet could contain six sections, one containing a brief description of the WUTelCo/IRC relationship and the requirement of routing, and one section for each of the five interested carriers, with a description or advertisement written by the carrier concerned. Under these circumstances there can be no question of confusion by the public or favoritism by WUTelCo's clerks.

C. Filing by Telephone. Unrouted messages attempted to be filed by telephone with WUTelCo's Central Telephone Bureau present a different but manageable problem. WUI believes that the statements of WUTelCo that requesting a routing from the customer will be prohibitively costly are considerably exaggerated. Most users obtain the telephone number of the CTBs from the telephone directory. It would be a simple matter for WUTelCo to place notices in the regular and classified telephone directories, stating that cablegrams must be routed and listing the available carriers. The IRCs would of course be free to place whatever additional advertisements they deem advisable. Since the customer will then be aware of both the requirement and the list of carriers, it will be a simple and quick matter for the operator to request a routing from the customer.*

Advertising Costs Will Be Reasonable

It is alleged that an effort to reach each and every potential user of cablegrams to explain the virtues and merits of each IRC would be so expensive as to preclude the requirement of routing. This is based on an erroneous assumption. It is certainly not necessary to advise each and every member of the United States population of the existence and advantages of each carrier in order to accomplish the Commission's stated goal. While some advertising would be beneficial in large metropolitan areas, generally the telephone directory notices and the brochures available from WUTelCo offices would provide adequate notification of the availability of the various carriers. Beyond that, by the second or third occasion of use of the facilities, a user will have at least a preliminary idea of his preference and will be able to specify the carrier of his choice without difficulty.

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* WUTelCo's calculation that the cost of requesting routings would run to approximately $1,000,000 a year is inaccurate. Under the circumstances outlined above it would take far less than 90 seconds to request a routing, as claimed by WUTelCo, since the customer would be aware of the requirement and have a list of carriers before him. The 1.5 million cablegrams that WUTelCo claims is involved is inaccurate since this figure includes messages filed by other means. WUTelCo ignores the fact that some of these messages filed through the CTB are not social but business messages filed by persons who are more sophisticated in the use of international communications than the average social user. Additionally, after the first experience, subsequent calls to file cablegrams will be much quicker since the specific user involved will already be aware of the requirement of routing.

No carrier will spend more on advertising than it expects to benefit by the traffic to be gained by such advertising. Thus the visions of millions of dollars spent in nationwide television, newspaper and magazine advertising are simply unrealistic. Additionally, WUTelCo has the ability to reach all of its Telex and TWX subscribers at very low cost by sending broadcast messages to all stations on its system during night or off-peak hours. WUTelCo presently uses this method periodically to advertise its own domestic services. An example of such a broadcast message is appended as Attachment A. This broadcast facility should be made available to the IRCs, without charge or at charges reasonably related to WUTelCo's incremental cost, for the purpose of advertising and promoting their services, and acquainting the public with the appropriate Telex and TWX numbers for access.

The Public Will Not Be Confused

In their attempt to defeat the Commission's proposal, the other responding carriers allege that the public will confuse WUI and WUTelCo. No evidence is offered in support of this allegation except a partisan public opinion survey commissioned by RCA Global Communications, Inc. (RCA Globcom). The Commission has heard this argument before, and has dismissed it after providing for certain safeguards.

For example, in the proceedings leading to WUTelCo's divestment of its Cable Division, the predecessors of ITT World Communications, Inc. (ITT Worldcom) and RCA Globcom argued that the public would believe that WUI was affiliated with WUTelCo. The Commission specifically approved the use of the name "Western Union International, Inc.", with the provisos that WUI indicate that it is an international rather than a domestic carrier and refrain from any indication that it is affiliated with WUTelCo, and that WUTelCo instruct its employees not to extend any preference to WUI. The Commission stated that "We believe that such a course is not only in the public interest but also meets the legitimate objectives of American [the acquirer of the Cables Division] and allays the justifiable fears of the other carriers". Western Union Divestment, 30 F.C.C. 323,344 (1961). These safeguards, said the Commission, "...should amply protect the competing carriers, and prevent the using public from being misled". 30 F.C.C. at 968.

ITT Worldcom and RCA Globcom made similar objections when WUI entered into a joint venture in Puerto Rico called "Cable & Wireless/Western Union International, Inc." The Commission similarly rejected contention that there would be confusion with WUTelCo.* Just as the Commission found in 1961 and 1968, WUI believes that the concern of RCA Globcom and ITT

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*Cable & Wireless/Western Union International, Inc., FCC 68M-646, released April 23, 1968 (File Nos. T-C-2109 et al).

Worldcom can be satisfied by the existing obligation of WUTelCo to notify its employees that there is no affiliation between the two companies and to require that no preference be extended to WUI.

RCA Globcom repeats the arguments previously made in this proceeding that a 1973 market survey supports its allegation of public confusion. The survey has not been made available to the Commission or other carriers, cannot be evaluated and is entitled to no weight. The survey is stale, and apparently was not designed to provide answers to the question of the general public's conception of the IRC's. Among other flaws in RCA Globcom's attempted use of the study in this proceeding, RCA Globcom has not complied with Section 1.363 of the Rules, which requires comprehensive information, inter alia, on

> "the assumptions made, the study plan utilized and the procedures undertaken. In the case of sample surveys, there shall be a clear description of the survey design, including the definition of the universe under study, the sampling frame and the sampling units; an explanation of the method of selecting the sample and the characteristics measured or counted."

Unless and until RCA Globcom complies with this section, arguments based upon its purported market survey are valueless.*

RCA Globcom attempts to prove the existence of confusion in the public's mind by the fact that WUI has managed to gain a large share of the telex traffic originating on the WUTelCo system. This of course does not prove anything with regard to the public's knowledge of the carriers. WUI's large share is attributable to WUI's superior technology and innovations. For example, WUI was the first carrier to computerize telex, the first to offer abbreviated dialing, the first to offer departmentalized billing, the first to offer automatic billing information, the first and only to offer simplified format for cablegrams, the first and only to offer abbreviated dialing for cablegrams (Instacable-see Attachment B*), and so on. Furthermore, WUI's quality of service is superior and its marketing is superb.

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* In response to the arguments contained in RCA's Supplemental Comments dated August 1, 1975, incorporated by reference by RCA, WUI incorporates the relevant portion of its Reply Comments dated August 28, 1975.

Any advantage resulting from the Commission's proposal is far more likely to accrue to ITT Worldcom and RCA Globcom as a result of the wide public familiarity with their respective corporate families, and their continued use of such relationships for marketing purposes. See Attachment B to WUI's Reply Comments of August 28, 1975, relating to RCA Service Company. Their parents International Telephone and Telegraph Corp. and RCA Corporation are the 11th and 34th ranking companies, respectively, on the 1976 Fortune 500 list, with 1975 revenues of $13.9 billion and $4.8 billion, respectively. Their extensive advertising has resulted in wide public familiarity with their corporate name and logos. A person choosing a carrier from a list is more likely to pick ITT Worldcom or RCA Globcom, whose conglomerate name is familiar to him, than any other carrier. It is to alleviate this massive advantage enjoyed and used by ITT Worldcom and RCA Globcom that WUI has conditioned its support of the Commission's proposal on the adoption of a requirement that the full names of the carriers be shown on any list of carriers presented to the public.

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* Instacable is a perfect example of competition by the IRC's.

WHEREFORE, WUI respectfully requests the Commission to issue an appropriate order implementing its required routing proposal, including the conditions specified in WUI's Comments of April 2, 1976, specifically that names of carriers on any list of carriers supplied to the public be written in full and not abbreviated, and that suitable provisions be included to ensure that order of names on any such list be rotated, and that the telex and TWX numbers permitting the filing of unrouted messages be ordered eliminated.

Respectfully submitted,

WESTERN UNION INTERNATIONAL, INC.

By: Roger P. Newell
Its Attorney

1 WUI Plaza
New York, New York 10004

Attachment A

Z.
CONFREES NYK

WU INFOMASTER 1-003198?875 ?9 03/15/76
ICS WUMATN MLIN VA
2070 ?? WUMATN MLIN VA
TLX 159146 CONFREES NYK
BT

IMPORTANT ANNOUNCEMENTS:

1. MAILGRAMS NOW CAN BE SENT TO AND FROM HAWAII. USE STANDARD TELETYPEWRITER MAILGRAM FORMAT. SAVE MORE THAN FIFTY PERCENT OVER DEFERRED CABLEGRAM SERVICE.

2. F.Y.I. NUMBER WAS CHANGED TO 5513 - PLEASE USE FOR ALL F.Y.I. CALLS.

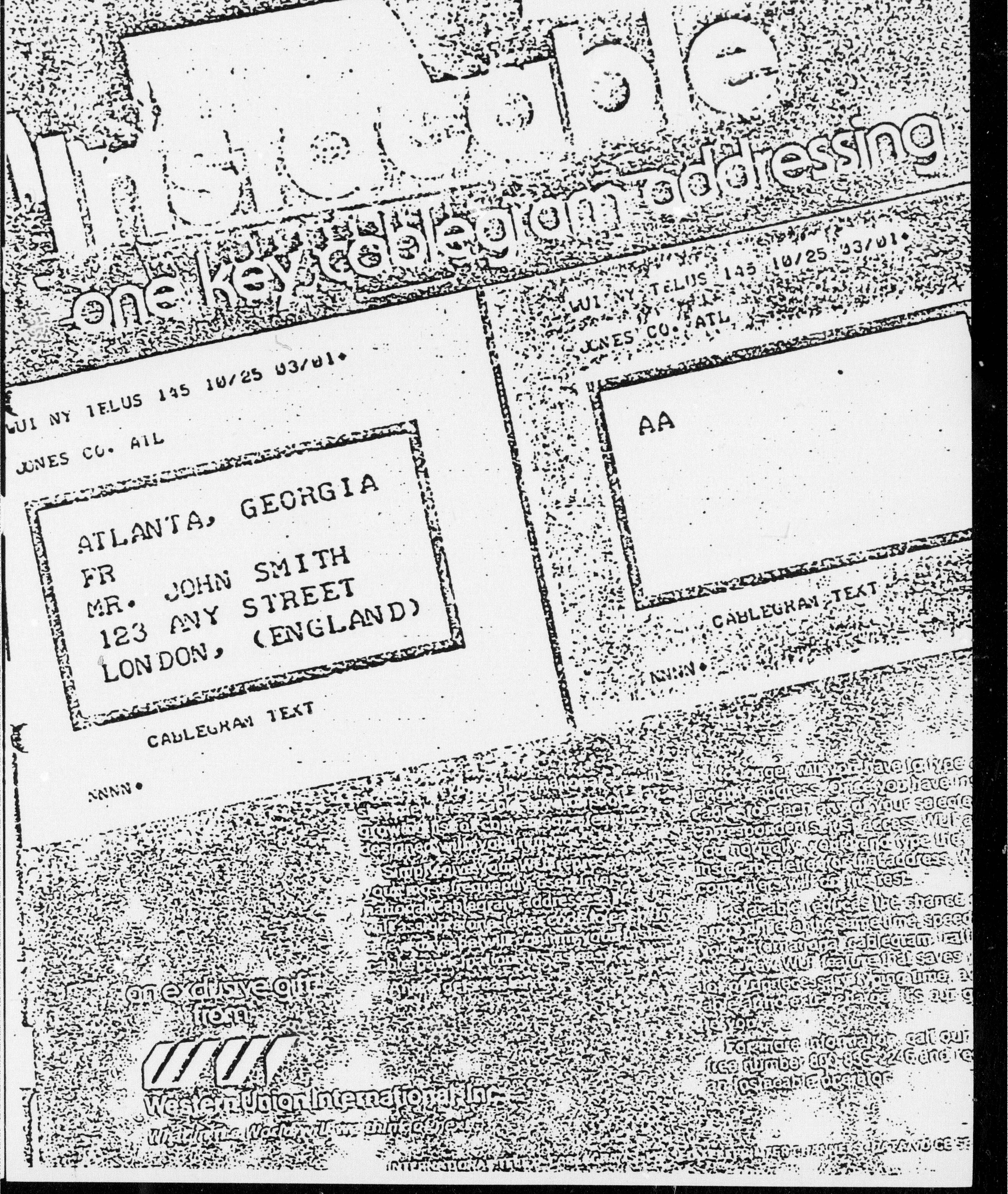
3. LATEST STOCK QUOTES AVAILABLE HOURLY - MAJOR INDICES AND N.Y.S.E. 12 MOST ACTIVE. DIAL 5512 AND KEY MARKET.

WESTERN UNION TELEGRAPH CO.

NNNN
1925 EST

CONFREES NYK

Attachment B



Intecable

one key cablegram addressing

WUI NY TELUS 145 10/25 03/01.

JONES CO. ATL

ATLANTA, GEORGIA
FR
MR. JOHN SMITH
123 ANY STREET
LONDON, (ENGLAND)

CABLEGRAM TEXT

NNNN.

WUI NY TELUS 145 10/25 03/01.

JONES CO. ATL

AA

CABLEGRAM TEXT

NNNN.

an exclusive gift from

Western Union International, Inc.

CERTIFICATE OF SERVCE

I, Burnadine Diggs, do hereby certify that a copy of the foregoing pleading of Western Union International, Inc. has been sent by United States mail, postage prepaid, to the following:

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Director, Defense Communications Agency
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Washington, D.C. 20305

/s/ Burnadine Diggs

Dated: May 10, 1976

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act.	)	Docket No. 19660 RM-690

REPLY COMMENTS OF TRT TELECOMMUNICATIONS CORPORATION

TRT Telecommunciations Corporation (TRT) hereby submits its reply comments relating to the legal, economic and operational implications of distributing outbound, unrouted international message telegraph traffic on the basis of required customer routings.

TRT in its initial comments has shown that it would not be possible in the foreseeable future to implement a fair and unbiased required customer routing system for the vast majority of unrouted international message traffic filed with The Western Union Telegraph Company (Western Union) and that any attempt to establish such a system would result in a completely arbitrary distribution of unrouted traffic which would not in any meaningful way reflect true customer choice or the competitive efforts of the carriers. Moreover, we have shown that the implementation of such a system under current circumstances would be extremely costly and would unnecessarily burden occasional users by requiring them to make an arbitrary choice of routing among carriers without the information needed to make this choice on a rational basis.

ITT World Communications, Inc. (ITT), RCA Global Communications, Inc. (RCA) and Western Union in their comments also agree that required customer routing could not be implemented on a fair or cost effective basis. It is significant that Western Union, which was the initial advocate of the adoption of required customer routing in place of an allocation formula, upon further reflection and study, has now determined that this is not a feasible alternative. Thus, Western Union estimates that the cost of implementing required customer routing would be at least $2,000,000 annually, and probably much more. (Western Union Comments, p. 10). Moreover, Western Union, which would be responsible for advising customers of their routing alternatives under required customer routing, has expressed grave doubts that it would be able to do so in a fair and unbiased manner. (Western Union Comments, pp. 4-7).

Only one party, Western Union International, Inc. (WUI), submitted comments favoring the adoption of required customer routing. However, even WUI's support was conditional. Thus, WUI states that its first choice is the retention of the existing formula, which was designed to freeze the market shares of the carriers to that existing 34 years ago in 1942. Moreover, WUI would only accept required customer routing as an alternative to the existing formula provided that Western Union operators are required to use the full names of the IRC's when advising the public of the list of available routings in order that WUI would be assured that it would receive maximum benefit from the public association and confusion of the name of Western Union International with that of The Western Union Telegraph Company.

WUI does not indicate how the practical problems in implementing required customer routing, which have been enumerated in the pleadings of the other parties, could be solved. In this connection, WUI merely makes the unsupported and patently false statement that, "The vast majority of the public should quickly learn that routings are required, and that they must specify the carrier of their choice." (WUI Comments, p. 5). However, WUI does not attempt to explain how "the vast majority of the public", which send no more than a few international telegrams in their lifetimes, could quickly learn of the requirement for selecting a routing and their routing alternatives. We submit that such awareness on the part of the "vast majority of the public" cannot be reasonably anticipated as a result of any additional advertising and solicitation efforts by the IRC's. As WUI states, "The self interest of each (IRC) will ensure that the additional amounts spent on marketing will not exceed the marginal benefit to each carrier of the traffic resulting from these marketing efforts, and thus expense will be kept within reasonable bounds." As fully discussed in the Comments of TRT, ITT, RCA and Western Union, it is readily apparent that any such additional prudent and cost-effective marketing efforts on the part of the IRC's would not begin to reach and fully inform "the vast majority of the public" as to the available routing alternatives.

WUI's assertion that required customer routing would be less costly to implement than an allocation formula is, of course, clearly erroneous. (See Western Union Comments, pp 7-11). In view of WUI's primary advocacy of the retention of the patently anti-competitive provisions of the existing formula, one must also question the genuineness of its assertion that required customer routing will result in added competition. As explained in TRT's initial comments, the distribution of unrouted traffic under required customer routing would primarily reflect the relative degree of corporate name-recognition of the IRC's rather than any meaningful competition benefiting the public.

Accordingly, we respectfully submit that WUI's position in support of the adoption of required customer routing is patently self-serving, without merit and should be summarily rejected by the Commission.

In addition to addressing the question of the desirability of required customer routing, Western Union's initial comments herein also set forth its plans for the mechanization of the interim formula. (Western Union Comments, pp. 15-21). Accordingly, although this subject may not be entirely within the scope of the issues, we believe that it is appropriate for TRT to express its views on Western Union's proposal in these Reply Comments.

In its Comments, Western Union announced that it intends to proceed with the mechanization of the interim formula at an estimated cost of $350,000 and requested the IRC's to immediately express any oppositions which they may have to this plan. TRT agrees with Western Union that administration of the interim formula should be expeditiously automated, and TRT agrees to reimburse Western Union for its proportionate share of any additional programming costs incurred by it for such automation as contemplated in the interim formula. . TRT, of course, cannot agree at this point as to the accuracy of Western Union's estimate set forth in its comments that such programming will cost $350,000. In this regard, we would expect that any bills submitted by Western Union to TRT for reimbursement of its programming costs would be detailed and would fully document all costs incurred by it.

Although we agree that the full automation of the interim formula is a desirable goal which should be expeditiously pursued, we would most strongly oppose any suggestion that the implementation of the interim formula should be further postponed until such automation can be achieved.

The Commission has found in its Decision in this docket released January 7, 1976, "that the present method of distribution embodied in the international formula is unjust, unreasonable, inequitable and not in the public interest." The Commission further held that:

> "... the record before us as well as elementary logic clearly warrants the conclusion that both the individual carriers and the public have been harmed by the formula's denying a carrier unrouted traffic. The carriers so affected have seen the marketing efforts essentially nullified by the balancing provisions -- ironically, the more successful those efforts have been, the more the carrier has been penalized. The formula's arbitrary disregard of the public's role has thwarted its expectations and may have resulted in an improper allocation of resources. Accordingly, we have concluded that those who have been injured are entitled to relief." (Emphasis added, Decision, para. 43.)

In light of these definitive and conclusive findings of the Commission, we submit that it would be unconscienable to postpone relief to the public, and to the carriers now being denied a just allocation of unrouted traffic, for an additional extended period pending the completion of Western Union's programming efforts.

In this regard, we think it should be recognized that there has been a need to fully automate the administration of the formula for a number of years and that Western Union's comments are somewhat misleading insofar as they tend to imply that automation is a new requirement resulting from the Commission's prescription of the interim formula. Thus, it is apparent that substantial savings in the cost of administering the existing formula could have been achieved if it had been fully automated years ago at the time that Western Union installed its computerized domestic switching system. Although Western Union now estimates in its instant Comments that the annual cost of the manual administration of the interim formula will be $474,000, it had previously estimated that the incremental cost of administering the interim formula (costs in addition to the costs presently incurred in administrating the existing formula) would be only $150,000 per year. It is thus apparent that substantial costs are already being incurred by Western Union in administering the existing unlawful and unjust formula, and that the additional $150,000 annually required to administer a lawful and just formula cannot be considered prohibitive, especially in comparison with Western Union's claimed landline haul revenue requirements of in excess of $30 million annually (Western Union Exhibit No. 5, Attachment 4 in the Landline Haul Proceeding, Docket 19660).

Moreover, we note that Western Union has already commenced hiring and training the additional employees and installing the additional equipment needed for the manual administration of the interim formula. Thus, any further delay in the implementation of the interim formula would in fact result in "increased and, in a sense, unnecessary start-up costs for Western Union." (Western Union's Contingent Motion For Clarification, filed in this docket on March 5, 1976, p. 4.)

Accordingly, we submit that the question of whether Western Union should fully automate the administration of the formula and the question of whether the interim formula should be implemented without further delay are separate and independent from each other. In this regard, we believe that, regardless of what allocation formula is in effect (i.e., the interim formula or the existing formula), its administration should be fully automated as expeditiously as practical. We submit, however, that it is clear, in light of the Commission's findings in its Formula Decision, that the existing unlawful and inequitable formula should be immediately rescinded and replaced by the interim formula without regard to Western Union's schedule for its eventual automation.

WHEREFORE, TRT requests the Commission to dismiss this proceeding, insofar as it contemplates a possible prescription of required customer routing. TRT further requests the Commission to require the prompt implementation of the interim formula to be applicable until such time as it should be amended in a subsequent proceeding in accordance with the requirements of Section 222(e)(3) of the Communications Act.

Respectfully submitted,

TRT TELECOMMUNICATIONS CORPORATION

BY: J. Robert Moman

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May 10 1976

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Cynthia A. Martell
Cynthia A. Martell

May 10, 1976

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of

International Record Carriers' Scope of Operations in the Continental United States, Including Possible Revisions to the Formula Prescribed under Section 222 of the Communications Act

Docket No. 19660
RM-690

To: The Commission

REPLY COMMENTS OF THE WESTERN UNION TELEGRAPH COMPANY

The Western Union Telegraph Company (Western Union) hereby files the following Reply to the Comments submitted by the international carriers (IRCs) pursuant to the Report and Order and Notice of Proposed Rule-Making (FCC 75-1430) adopted by the Commission on December 22, 1975 and released on January 7, 1976.

In its initial Comments, Western Union requested a continuation of the present formula mode (either as embodied in the interim formula or in any other suitable formula) of distributing international cablegram traffic among the IRCs. Western Union explained that it has become convinced that the so-called all-routed solution suggested by the Commission's January 7 Order would not be in the public interest.

I.

Two of the IRCs -- RCA and TRT -- argued, as did Western Union, that the all-routed approach was impractical and that the Commission should retain the formula mode of distributing traffic to the IRCs.*/ Although ITT urged that ". . . the all-routed approach should be established as an ultimate objective toward which all parties would cooperatively strive," it, nevertheless, took the position that this objective could only be accomplished over the long term (ITT Comments, p. 2). Thus, ITT recognized ". . . that there are substantial problems associated with reaching that goal [i.e., an all-routed solution] which should be thoroughly explored by the Commission before ordering the implementation of an all-routed 'Formula'" (ITT Comments, p. 9). In ITT's "judgment", none of the "possible approaches" which it suggested in its Comments offered a "practical methodology for achieving an all-routed distribution in the near-term (i.e., the next one to three years)." (ITT Comments, p. 4).

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*/ TRT noted in its Comments that it would be "feasible" to implement required customer routing for cablegram traffic filed via Western Union telex and TWX terminals (TRT Comments, pp. 2, 8). While Western Union would agree that this is "feasible", it is obviously pointless. Only 4% of all unrouted traffic is filed by Western Union telex and TWX subscribers. The remaining 96% of the traffic would still have to be distributed by means of a formula. The slight decline in formula traffic would not result in any meaningful cost savings once distribution was computerized. All that would be accomplished would be that telex and TWX subscribers would be denied the right -- granted all other Western Union customers -- to file cablegram traffic without specifying a given routing. There is clearly no significant advantage to be gained by implementing an all-routed solution limited to the 4% of the traffic filed by Western Union telex and TWX subscribers.

TRT reached the identical conclusion. It stated that

> ". . . since only 4% of unrouted traffic would be affected, the implementation of these changes would have little effect on total distribution of traffic among the carriers. We therefore believe that there would be little purpose in modifying the interim formula to require Western Union to implement those operating changes" (TRT Comments, p. 8).

ITT's Comments are largely devoted to an analysis of the problems inherent in implementing an all-routed solution. The difficulties mentioned in ITT's pleading are in many ways similar to those noted by Western Union. Our basic disagreement with ITT stems from its belief -- and ITT's Comments do not in any way explain the basis for its optimism in this regard -- that the difficulties in implementing an all-routed solution would somehow diminish or even disappear with the passage of time. Indeed, ITT's own pleading clearly reflects the permanent nature of the impediments to an all-routed solution. Thus, ITT points out:

- That "an effective advertising/marketing campaign to achieve a "carrier consciousness" for the IRCs among the approximately three million unrouted message originators would be prohibitively expensive . . ." (ITT Comments, p. 4);

- That "requiring Western Union personnel interfacing with the sender to provide routing information and identification of the routing options (IRCs) available to the sender is . . . plagued with administrative and economic problems" (ITT Comments, p. 6);

- That, in particular, "the expense of . . . training [Western Union] operators in addition to the decreased productivity due to the Western Union personnel making overseas routing explanation to customers would likely increase Western Union's overall operating costs by a substantial amount. . ." (ITT Comments, p. 6); and

- That ". . . any mandatory routing requirement enforced by Western Union's agents virtually guarantees a substantial bias in those routings in favor of Western Union International, Inc. (WUI) because of the close similarity of names between those two carriers. . ." (ITT Comments, p. 7).

It would seem readily apparent that none of these problems will diminish to any significant extent in the future and that they will be just as severe three years from now (the end of the "near-term" according to ITT) as they are today.

II.

The only carrier which considered an all-routed solution to be possible or desirable in the near future was WUI. An all-routed solution, however, was not WUI's first choice. WUI explained that its Comments were submitted ". . . without prejudice to its preference for retention of the existing formula" (WUI Comments, p. 2). Thus, WUI does not object to the formula mode of distributing international cablegram traffic. It simply believes that the Commission has selected the wrong formula; that the new interim formula does not give it what it deems to be a fair share of unrouted traffic; and, that, under the circumstances, it would rather take its chances with an all-routed solution. The fact that WUI's first choice is a continuation of the formula mode of distributing traffic, however, illustrates that it has no difficulty with the formula concept per se and that it does not -- apparently -- share the Commission's tentative conclusion that a requirement for customer routings possesses inherent advantages over the formula approach.*/

In any case, we find nothing in WUI's Comments which would demonstrate the superiority of an all-routed approach.

A. WUI argues that

> "[O]ne result of requiring the public to route messages would be to force all of the IRCs to increase their marketing efforts so as to acquaint the public with the existence and quality of their services. . ." (WUI Comments, p. 3).

As Western Union pointed out in its initial Comments (pp. 12-14), there is no merit to the assertion that an all-routed solution would lead to a substantial increase in the IRCs' "marketing efforts." Approximately 65% of all international cablegram traffic is already routed. The remaining market for unrouted traffic is limited (only 3 million unrouted cablegrams amounting to $7.5 million in revenues were sent in 1974), declining and very likely unprofitable. It is generally recognized that senders of unrouted cablegrams are, for the most part, infrequent users, widely dispersed throughout the country (ITT Comments, p. 4; RCA Comments,

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*/ In earlier pleadings filed with the Commission, WUI was lavish in its praise of the current formula. See, e.g., Comments of Western Union International, Inc., filed July 8, 1974, p. 2; Reply of Western Union International, Inc., filed August 16, 1974, pp. 1, 3-5, 8; Responsive Comments of Western Union International, Inc., filed August 1, 1975, p. 2.

p. 10; TRT Comments, pp. 4-5). WUI itself concedes that routed traffic is "mostly business" while unrouted traffic is "mostly social (WUI Reply Comments, filed August 28, 1975, p. 4).

Obviously, any attempt to reach these "social", and presumably occasional, users will require an extensive and costly nationwide advertising campaign. The IRCs themselves have indicated that such an effort would not be worthwhile economically and that they have no intention of spending substantial sums in an attempt to induce customers to specify particular routings (see, TRT Comments, p. 12; ITT Comments, p. 4; RCA Comments, pp. 5-6). For its part, WUI had earlier explained to the Commission that the existing formula has been responsible for preventing the "waste of resources" that would be involved "in fruitless solicitation efforts . . ." (Reply of Western Union International, Inc., filed August 16, 1974, p. 5).

We would agree with TRT (see TRT Comments, p. 11) that if there is any incentive for the IRCs to solicit customer routings, it is maximized by the interim formula. Since under the interim formula unrouted traffic is distributed in accordance with the IRCs' share of routed traffic, the successful solicitation of a routed message carries with it a "bonus" in the form of a share of unrouted traffic. Consequently, the interim formula provides a certain "leverage effect" which is entirely absent from the all-routed solution.

B. In a related argument WUI suggests that increased marketing efforts would

> "in turn . . . lead to a situation where all carriers would compete fully for all outbound message traffic. . ."

and that

> "to the extent that quality of service might be dependent upon the effectiveness of competition, the result of the proposed required routing may very well be increased efforts by all carriers to improve existing services and to innovate new services."

Here again, WUI's contention is based on a faulty premise. For the reasons explained above, and in Western Union's initial Comments (see, pp. 12, 14), the all-routed solution would not provide an incentive for the IRCs to increase their "marketing efforts" or to "compete fully for all outbound message traffic."

Moreover, the idea that an all-routed solution would somehow stimulate competition among the IRCs and thereby improve service is totally at odds with WUI's earlier assurances to the Commission that the existing formula had already accomplished this desirable result. Thus, in its Reply of August 16, 1974 (pp. 5, 8), WUI informed the Commission that the existing

> ". . . formula has fostered keen competition between the international record carriers in quality of service, as evidenced by the fact that all carriers have conducted extensive modernization and computerization of their facilities.

* * *

> ". . . Indeed the entire history of the international record carrier industry reveals continuing efforts by all carriers to improve their service, and the present highly developed, computerized operation is evidence that the formula has not in any way limited the inducement to provide the best possible service to the public."

WUI cannot have its cake and eat it too. Surely, if the ideals of keen competition and excellent service have already been optimized by the existing formula, the all-routed solution would not appear necessary to reach these same goals.

C. WUI claims that

> "The required routing proposal would at one stroke eliminate all of the complexities involved in the administration of a formula designed to govern distribution of the traffic to almost two hundred separate points, and would eliminate all claims of unfair administration of the formula . . . ." (WUI Comments, p. 4).

We believe that WUI is wrong on both counts. First, as Western Union noted in its Comments, the "complexities" of the new formula will present no special problems once distribution is automated.*/ The interim formula will be no more difficult for Western Union's computer to handle than the existing formula which is so highly regarded by WUI.

Second, it is readily apparent that the all-routed solution would give rise to all kinds of complaints of "unfair administration." (See Western Union's Comments, pp. 4-7.) In fact, the squabbling has already begun. ITT (Comments, p. 11), RCA (Comments, pp. 8-9), and TRT (Comments, p. 11), take the position that an all-routed solution would result in a substantial bias in favor of WUI because of the similarity of its corporate name to that of Western Union. This problem would obviously be aggravated if the Commission accedes to WUI's request that the Western Union operator recite WUI's full corporate name -- Western Union International -- to each customer being assisted in specifying a particular routing. (See RCA Reply Comments, p. 7.)

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*/ Such automation is scheduled to be substantially completed by November 27, 1976 (Western Union Comments, p. 17).

D. In our view, WUI's Comments are seriously deficient in that they make no serious attempt to analyze the real problems that must be faced in implementing an all-routed solution. According to WUI, all that is necessary for the effective operation of a system of required customer routings is that the names of the various IRCs be recited in full and that the order of recitation be rotated periodically (WUI Comments, p. 7). Thus, WUI states -- without any attempt at verification -- that

> "The vast majority of the public should quickly learn that routings are required, and that they must specify the carrier of their choice. Most persons who file cablegrams with Western Union will soon realize that they should be prepared to specify the carrier of their choice before contacting Western Union." (WUI Comments, p. 5).

For reasons already recited, this picture of what would occur must be regarded as something of a pipedream.

CONCLUSION

For the reasons stated herein and in its initial Comments, Western Union respectfully requests that the Commission continue to require that international cablegram traffic be distributed to the IRCs through a formula.

Respectfully submitted,

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